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Pre-mentoring Training on Financial Literacy for Small Business Owners

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A final project presented to the faculty of the
Instructional Design Master's Degree Program
University of Massachusetts at Boston

Pre-mentoring Training on Financial Literacy for Small Business Owners

Submitted by
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in partial fulfillment for the requirement of the degree

MASTER OF EDUCATION

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Approved by Dr. Domenic Screnci, Faculty

Abstract

Small business owners are continuously faced with challenges to grow their business. These challenges are not only related to market conditions, some of them are associated with the business owner's lack of knowledge or skills; thus, many of them seek mentoring opportunities. This project explores the knowledge gap between the mentor and mentee, with a focus on financial literacy and how it impacts mentoring outcomes. A needs assessment was done to assess this performance problem through interviewing project SME's, surveying stakeholders, and literature review. Based on the findings, a self-paced micro eLearning was proposed with an instructional goal of the need for small business owners to be able to apply proper business financial management practices to their business while demonstrating adequate levels of financial literacy when working with a mentor on their business development and growth. The ADDIE instructional design module was followed to complete this project. The assessment, design, and development phases were completed, while a pilot program for implementation and an evaluation plan using the Kirkpatrick training evaluation levels were proposed. The project includes background information, needs assessment findings, learning objectives, instructional strategies and material, and accessibility considerations. The development of the project used the WordPress platform, H5P application, and is highly dependent on text, video, and images to deliver the new content. The appendices contain samples of the training material developed under the name "Pre-mentoring Training: Financial Literacy for Small Business Owners".

Keywords: Mentoring, small business, microlearning, social learning, financial literacy.

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Pre-mentoring Training on Financial Literacy for Small Business Owners

Introduction

The following document is an instructional design project that describes the approach used to develop a learning experience directed to small business owners (SBO). The learning solution that is detailed here is a financial literacy pre-mentoring self-paced microlearning intervention, which offers the information in small learning units. This learning intervention was created to solve a problem The Consulting Center was facing when working with small business owners on how to grow their business. The document details how the learning solution and strategy was approached, it also gives background information about the organization, the problem, the analysis of the problem, learning objectives, learning strategy, and an overview of the learning material that will be developed.

Background Information

About the Organization

The Consultation Center is a private organization offering solutions for small and medium-sized enterprises, it helps them overcome their operational and management challenges and work with them on their expansion and growth plans. The services this organization provide are business advisory with a focus on financial management aspects such as cash flow management, financial management solutions, budgeting, business feasibility assessment, and loan facilitation. The experts who drive this organization set a clear vision for it, which is to be a leading organization in the field of small and medium-sized enterprises support and advisory services. Their mission is to aid small business owners with the growth of their business by

focusing on the financial aspects through advisory, loans facilitation, financial management tools, and solutions.

About the Project

Part of what the organization does is advise and mentor small business owners to help them plan, strategize, and work on their growth plans. These plans include geographical expansion, increase in manpower and resources, expanding customer base, and increasing profits. The organization's core belief is that proper financial management is the key to business success and growth; therefore, they wanted a solution that would help boost the efforts of their mentors and advisors. Their objective was to minimize the financial literacy gap between the SBO and the mentor, to leverage the mentoring sessions, and give the mentor the ability to work with the business owner on growth rather than problem-solving and educate the mentee on financial aspects they don't know. The definition of financial literacy that will be adopted for this project is "people's ability to process economic information and make an informed decision about financial planning, wealth accumulation, debt and pensions" (Purwidiанти & Tubastuvi, 2019, p.42). The project will work on providing the best learning solution to minimize the knowledge gap.

Project Stakeholders

The nature of mentoring brings multiple key stakeholders to this project. These stakeholders include the organization (client), the mentors, and small business owners. The Consulting Center is the main stakeholder for this project as they are the subject matter experts (SMEs), decision-makers, and funders for this project. Mentors are another key stakeholder as they are guiding the mentoring sessions and are experiencing the knowledge gap and its impact

on the mentoring process and outcomes. Small business owners are key stakeholders as well since they are paying for the mentoring services and their needs are a dominator in the assessment process. Working with these three key stakeholders will guide the instructional designer and researcher in identifying the expectations from each one of those stakeholders, and narrow down the information that needs to be explored further.

Analysis Plan

An analysis is a vital milestone in the instructional design process. The role of analysis which includes needs assessment and research is to guide design direction and efforts, and determine if there is an actual need for a learning intervention or another simpler solution is the answer to the client's needs. For this project, the analysis plan will be developed based on the organization's initial need and on the defined stakeholders' expectations. This will require conducting a needs assessment, substantive research, and identification of underlying theories and assumptions. The purpose of the analysis is to identify if there is an actual knowledge gap and if there is a need to add additional services to address this problem. The needs analysis included SMEs' interviews, surveying, and literature review.

SMEs' Interview

The analysis plan included interviews with the SMEs, who involved the CEO of the organization and the head of mentoring and coaching services. The objective of these interviews was to determine what underlying assumptions and theories exist that the SMEs are using to build their expectations. For this purpose, the designer/researcher developed a questionnaire consisting of 12 questions that revealed the organization's mentoring approach, issues believed to be affecting the mentoring process, and how do they perceive business growth (Appendix A).

The designer/researcher interviewed the SMEs to get answers to these prepared questions. This process allowed for more clarifications and further understanding.

Surveying

Another part of the analysis and needs assessment was a survey. The goal of this survey was to determine if there is a real need for a learning intervention to support existing mentoring services. The main objectives of the survey were:

- 1- Pinpoint the challenges that mentors face when working with SBOs.
- 2- Identify if the mentors believe there is a training need for SBOs.
- 3- Assess if there is a need to improve the financial literacy of the SBOs based on their opinion.
- 4- Determine if SBOs are benefiting from working with mentors.
- 5- Foresee SBOs attitude towards pre-mentoring training.

To achieve these objectives the designer/researcher developed two qualitative surveys one was directed to mentors and the other targeted SBOs. The mentors' survey consisted of 11 questions in total (Appendix B) and the SBOs' survey consisted of 10 questions (Appendix C). The mentors' surveys allowed the researcher to achieve the needs assessment objectives number one and two, while the SBOs' survey allowed the achievement of objectives number three, four, and five.

Literature Review

A literature review was another part of the analysis plan. This process explored existing research relevant to the proposed problem. The researcher investigated peer-reviewed articles that examined obstacles faced by SBOs when managing their business, small business growth

factors, financial literacy training impact on small business success, best learning strategies and practices for SBOs, and evaluation methods.

According to the literature, small business growth is complex and involves multi factors. “Firms growth is nonlinear and temporal, and subject to a series of complex factors that determines growth, both within and outside the firm” (Blackburn et al., 2013, p. 9). This complex nature generally makes it harder for small firms to grow sustainably. However, Blackburn et al. (2013) pointed out that one of the factors playing a positive role in the business growth and performance is the business owner-manager characteristics and educational level. Similarly, Rankhumise and Letsoalo (2019), believe that small business owners-managers need to obtain certain skills and capabilities to successfully grow their business, these skills include managerial, financial, operational skills that would enable them to be more effective in developing their firms.

One of the obstacles that hold back SBOs from optimally running their business according to Rankhumise and Letsoalo (2019) is the lack of financial management training. Their study that was performed on South African and Chinese small businesses, revealed that South African participants felt the need for financial management training to help them manage their business finances properly, while the Chinese participants did not have the same findings because they have already taken this type of training earlier (Rankhumise and Letsoalo, 2019). Financial management knowledge becomes more important with the business’s need for growth. Phelps et al. (2007) confirm that business growth does not have a set framework as it merely depends on the problem the business is facing and not the stage it is going through; however, they have indicated that obtaining funding is part of any business growth which requires the

business owner to have a better understanding of their business finances to attract investors and manage the risks.

Dhaman and Rodriguez (2014) from the University of South Florida find that there is a great connection between inadequate financial literacy of small business owners and the overall success of the business. They believe that many SBOs avoid reviewing their business financial statements because they don't know how to interpret them, and their study showed a clear relevance between financial difficulties and the lack of financial statements review. In their study Eniola and Entebang (2017), show that small business owner-managers are required to make difficult financial decisions during their business life which indicates the importance of financial literacy for SBOs. They also mentioned that financial literacy for SBOs is gaining global importance as various countries are launching programs to support financial training for SBOs. Additionally, in their article Eresia-Eke and Rath (2013), found that there is a relevance between the amount of financial training exposure and how SBOs perceived their level of financial literacy, which according to them indicates that the exposure to training or education improves the learners rating of their competency in any specific field.

According to Purwianti & Tubastuvi, (2019), higher financial literacy leads to better financial decision making, besides indicating that financially literate individuals make better use of available financial products. This type of skill is crucial for SBOs who are looking to grow and expand their business. Likewise, Hossian (2020) from the Bangladesh Institute of Bank Management indicates that to foster small business growth it is important to ensure business profitability and access to finances and that the relation between small firms' growth and finance is internationally recognized. Additionally, Hossain confirms that financial literacy provides

owner-managers of small firms the information and skills they need to make timely and correct financial decisions (2019).

Analysis Report

The Learner and Learning Context

After the needs assessment, analysis interviews, and surveying was completed, it was concluded that the learner who will be targeted in this project are small business owners who have been operating their business for several years, they are the managers of their business and want to grow it either by expanding or solving existing problems. Their motivation to take the learning is to be able to reach business growth or overcome existing problems that are hindering their business success. For such learners, their motivation is both intrinsic and extrinsic. Their intrinsic motivation is developed from their need to feel successful in managing their business and achieving its goals. While the extrinsic motivation is attracting investors and more funding for their business so they can have healthy business growth. The entry-level skills of these learners will be basic business management skills and knowledge such as breakeven point, profit, loss, cost of goods, budget, cash flow, and other basic financial and accounting principles. Additionally, the targeted learner is always stressed and rarely has free time, they have the desire to improve their business performance but are challenged to commit themselves to activities other than their business. They are not always able to plan their schedule ahead of time due to the nature of running a business that can have incidents suddenly coming up that they need to instantly resolve.

The learning experience will take place in the learner's location, as this will help them to be close to where they will practice the new knowledge and the environment where they will

apply the plans set with their mentors, while they are still close by to overlook the daily operation. The learner will need a computer or a hand-held device to access the learning experience and be able to connect to a Wi-Fi service. Thus, they must know how to operate such devices and how to browse the internet.

Literature Review Findings

The literature indicates that financial knowledge and management skills are crucial for small business owner-managers. Part of business growth is financial growth, as it affects business profitability and revenue, it also affects the funding and financing of the business expansion and development. Since the literature also indicated that lack of financial knowledge impacts how the business owner perceives their business capabilities and their behavior of reviewing their business financial statements, it became crucial to look at financial literacy training for SBOs who are looking to expand their business and are seeking the help of a mentor.

This training intervention must be attractive and engaging for the targeted learner who will only resort to training if it had direct application to their business and that they can see a positive impact from the newly gained knowledge on it. “Two factors appear to influence the small business owner-managers attitudes toward training and development, which are the relevance of the training and the delivery process” (Redmond et al., 2007, p. 303). Additionally, the training needs to be accessible at the learner's location and managed by the learner, as Coetzer et al. (2011) indicate that many SBOs are highly engaged in their daily operation and would not prefer to be engaged in an off-site learning experience. The learner is also to select what information they want to learn, when to learn it, and where. The learning material needs to be short and on point, it also needs to provide real business cases examples. The learning

experience must allow for connection and networking with other SBOs to promote experience and knowledge sharing.

The learner should be in control of their learning experience, starting with setting their goals up to the time frame they need to complete the modules. It is suggested that the SBO develop their learning goal along with their mentor, this would help in the synchronization between the knowledge gained and the mentoring sessions. It is important to emphasize that this development intervention will not be in the shape of formal training; Zhang & Hamilton (2009) suggests that when it comes to SBOs training the process is what determines the outcome.

Survey findings

Both surveys indicated a need for improvement in the financial literacy of SBOs. Small business owners, even if did not pursue mentoring, suggested that financial literacy training would be helpful. Likewise, mentors suggested that pre-mentoring financial literacy training would add value to their mentoring efforts. The findings of these two surveys supported part of the literature review discoveries, which indicates the importance of financial management knowledge for SBOs to grow their business.

The SBOs survey was filled by 22 business owners and consisted of 10 questions that were all answered (Appendix B). The survey indicated that 31.8% of the 22 SBOs find the financial management of their business is challenging, which came second by 4.6% less than the highest choice which was customers' acquisition. Lack of business knowledge such as financial management rated 22.7% as a challenge they face when working with a mentor, while the highest-rated option was that they never worked with a mentor. The survey also indicated that 13.6% would be encouraged to work with a mentor if they completed a self-paced training that

complements the mentoring session. This option came second to finding the right mentor which scored 54.5 %. Even though the survey showed 13.6% for resorting to training as a way to manage business challenges, 86.4% of participants agreed that a pre-mentoring self-paced training would support their mentoring sessions, and 50% of the participants chose financial literacy as their topic of training. Participants reasoned their choice by stating that a pre-mentoring self-paced training would save time and effort, help them in understanding the mentor's advice and recommendation and in applying them, it would give them flexibility and a sense of control and avoid being overwhelmed, prepare them for advanced mentoring, allowing them to focus on important topics and details in the mentoring session, and would lead to higher efficiency and better results. The survey findings indicated that the SBOs have the desire to improve their financial literacy and financial management skills and that a self-paced learning experience is a favored approach.

On the other hand, the mentor's survey revealed findings that complement the SBOs survey findings. The mentors' survey consisted of 11 questions and was completed by 14 mentors some of whom worked in The Consultation Center and some of whom worked outside the center (Appendix C). This survey revealed that 35.7% of mentors are challenged by the SBO's lack of business knowledge and skills, while only 7.1% of them spend time educating the SBO on these skills. Moreover, 57.1% of participants find that pre-mentoring financial literacy training is beneficial for both the mentor and mentee. The financial skills that were suggested to be included in this training included financial statements analysis, taxation, accounting and bookkeeping, cash flow projection, budgeting, and balance sheets. Also looking at the survey results, mentors take from three to six months until they notice an improvement in the business performance, which can be related to the frequency and period of the mentoring sessions, as

71.4% of the participants said that they hold the sessions weekly and 87.5 % spend an hour per session or can be due to the knowledge gap between the SBO and the mentor. Yet, the survey indicates that 64.3 % of participants believe that mentoring leads to small business growth. The survey findings have a strong indication that the mentoring sessions would benefit from an intervention that can minimize the knowledge gap between the mentor and the mentee to reach the mentoring objectives more efficiently and in a shorter time.

SMEs Interviews Findings

The two interviews with the project SMEs, which answered 12 preprepared questions (Appendix A), revealed that the organization looked at mentoring as a support service to help SBOs in defining challenges and how they can be overcome. It also explained the mentor and mentee are matched based on the business type and the specific experience of the mentor, and that the first step after they are matched is to have a discovery session so the mentor can learn about the mentee and their business, and also set the main goal they will work towards achieving. The interviews helped in determining the meaning of business growth to the organization, which is perceived as the increase of revenue, geographical expansion, increase in the number of employees, and additional investment or funding. The interviews also revealed that SBOs demonstrate dependency on the mentor to do the work for them or show them how to do it in detail, which indicates that this behavior can be due to the lack of skills or knowledge required to complete the task. Moreover, the organization believes that pre-mentoring training will add great value to the mentoring process as it will help the mentoring sessions be more focused and advance quickly.

Performance Problem Statement

Small business owners are not able to fully benefit from mentoring services, by easily and properly applying the mentor's advice on how to grow and expand their business due to their lack of financial management literacy and skills.

Proposed Solution

The proposed solution based on findings from the analysis and needs assessment phase is a self-paced microlearning training that covers the basic concepts of business financial management.

Instructional Goal and Performance Objectives

Instructional Goal

The instructional goal for this project is that small business owners need to be able to apply proper business financial management practices to their business while demonstrating adequate levels of financial literacy when working with a mentor on their business development and growth plans.

Goal Analysis

The instructional goal for this project falls under the cognitive domain, where the learner needs to learn skills such as analysis, differentiation, planning, calculations, budgeting, costing, and assessment. The goal analysis will illustrate how a financially literate small business owner applies financial management skills to their business.

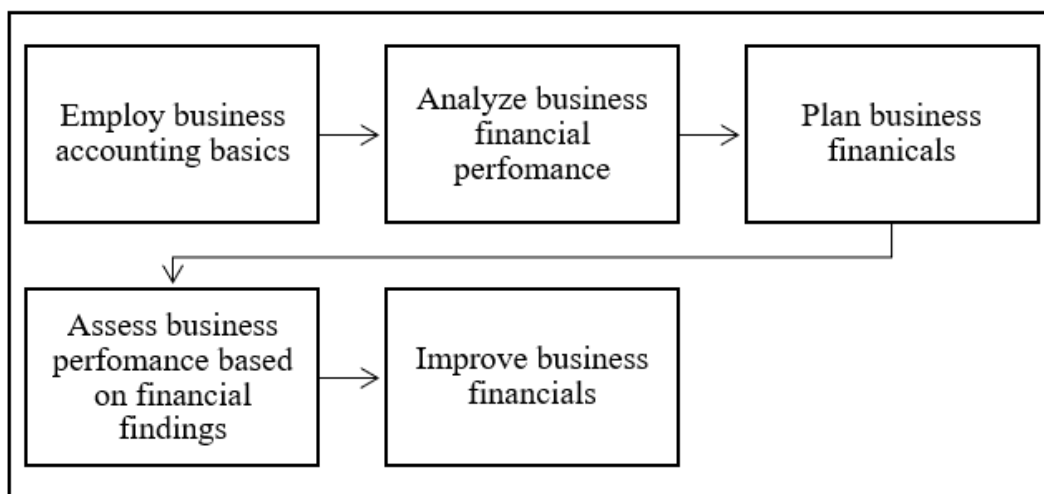


Figure 1: Goal Analysis

Performance Objectives

- 1- When managing their business, the SBO will accurately recognize and employ business accounting basics to their business including bookkeeping, financial statements, and tax (VAT) calculation.
- 2- The SBO will efficiently analyze and interpret financial data when they are running their business using concepts of profit & loss, cash flow, and costing.
- 3- When planning for their business, the SBO will strategically set a budget and sales targets.
- 4- The SBO will critically evaluate their business financials when assessing its performance.
- 5- When planning to grow their business, SBO will deliberately formulate a development plan for their business using financial management strategies such as cost reduction, sales increase, and attracting investors.

Instructional and Assessment Strategy

Due to the learner's needs and motivation to learn, this learning experience will adopt several strategies to provide a learning solution that is customized to this specific learner. The

literature review has inspired the use of certain strategies to create a solution that can be effective in solving the performance problem. According to Walker et al. (2007), small business owners will not be motivated to participate in formal training, they will always be hesitant if they should commit to this type of training; therefore, the first strategy that this solution will take is a non-formal training approach. Additionally, Walker et al. (2007) emphasized that the relevance of the training and delivery process are the two main factors that affect the SBOs decision when choosing a learning experience; thus, this learning will be delivered in the form of an online microlearning approach, which will allow the delivery of information in bite-sized units and short-term learning activities. This will allow the SBOs to accommodate the training in their tight schedules while they are still at their business site overlooking the operation. Coetzer et al. (2011) reveal that SBOs indicated that the business knowledge they gained through reading books and internet sources was frequently applied to their business.

Moreover, as this training will be accompanying the mentoring session, it will adopt a just-in-time learning approach, which is a need-related training that is ready and available when needed. Here the material of the training will be relevant to the work the mentor is doing with the SBO. Also, Walker et al.'s (2007) research indicated that business owners have favored and called for this type of learning strategy. Besides, since the learner is an adult learner who tends to prefer setting their learning goal and needs, a mentoring session will precede this training. During this session, the mentor will work with the SBO on setting their learning needs based on the mentoring plan, and accordingly, the mentor will advise the SBO on which modules they need to focus on and which ones they can overlook.

Additional strategies that will be adopted in the design of this learning are action learning that uses problem-solving as an approach to gain new knowledge and social learning where new

information is learned by observing and imitating others. These two strategies are important to adopt because SBOs learn by practice and solving problems, this will be achieved by the activities the learning experience will include and through the tasks that will be given to them by their mentors. Action learning will be complemented by a social learning approach. According to Gibb (2009), action learning is concerned with learning by doing, peers exchange, reflection, acquisition of knowledge, and conceptualization of experience, which is exactly what SBOs need to be exposed to during the learning process. While research by Redmond and Walker (2008) indicates that SBOs who engaged in a discussion had a positive impact on their learning outcomes.

Assessment will be an important part of the learning strategy; it will not only indicate the transfer of knowledge but will also help the learner reflect on what they have learned so far and how they synthesize this information in a way that is beneficial to their business. For this learning interaction, the assessment will follow two main approaches scenario-based assessments and multiple choice. These approaches were selected because they will help in the knowledge transfer process in the given context. Scenario-based assessment not only endorses higher cognitive activity such as identification, comprehension, and the incorporation of new knowledge; it also inspects the transfer of knowledge at a socio-cognitive and strategic level (Carroll, 2017). Multiple choice questions will be used in sections where the learner needs to be tested on the amount of information they retained and not how they can use this information.

Instructional Material

The general structure that will be followed when designing the training is an absorb, do, connect, and assess framework. Meaning every module will include an absorb activity, which will be a text or infographics to read, or a video to watch, or audio to listen to, followed by

activities or exercises that allow the learner to apply the information they learned, and then an exercise to find the connection to their business and how this information applies to it. At the end of every module, there will be an assessment activity to allow the learner to see how much knowledge they have gained. Additionally, the instructional material will include a link to an online discussion board that will allow learners and mentors to share knowledge, post inquiries, and get engaged in meaningful conversations that enhance the learning.

Every module will be divided into topics, each topic will follow the same framework explained above. The new information will be delivered in bite-sized chunks in the form of text or visual material. The assessment exercise will be provided at the end of each module and not after each topic, this will help in examining the amount of information gained after being exposed to several topics. Each module will be designed to stand alone, however, the learner can assess their knowledge from the previous module before moving ahead by completing the assessment questions available at the end of each module.

The way the instructional material will be developed will properly fit with the learning strategies adopted for this learning intervention. The absorb, do, connect, and assess framework serves the action learning strategy, while the discussion forum promotes social learning strategy. Also, the microlearning and just-in-time learning approach will be demonstrated in the amount of instructional material and having every module stand-alone. This is expected to increase learners' motivation to engage in this quick on point learning source. Following is detailed information about the course and its modules.

The Course

Name	Financial Literacy for Small Business Owners
Type	Online self-paced microlearning

Purpose	Supporting SBOs mentoring sessions
Platform	Word press
Format	H5P
Length	Five Modules
Requirements	Digital device and internet connection
Prior knowledge	<ul style="list-style-type: none"> • Ability to use a digital device and browse the internet • Ability to read and write • Knowledge of basic calculations

The Modules

Introduction:

Name	Welcome to Financial Literacy for Small Business Owners
Objective	Introduce the learner to the course, its objectives, the learning outcomes, and how they can utilize this course to benefit their business and mentoring sessions.
Topics	<ul style="list-style-type: none"> • About ‘Financial Literacy for Small Business Owners’ • Course objectives and learning outcomes • How this course will support mentoring?
Content	<ul style="list-style-type: none"> • Welcome video introducing the course and explaining how to set learning goals for this course. • Infographic with course objectives and outcomes. • Text on how to benefit from this course with modules overview.

Outcomes	<ul style="list-style-type: none"> • The SBO will become aware of the course design and how they can most benefit from it. • Warm up the SBO to the following modules.
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Module 1:

Name	Business Accounting Basics
Objective	Recognize and employ business accounting basics
Topics	<ul style="list-style-type: none"> • How bookkeeping works • Financial statements every business needs • Tracking Taxes and VAT
Content	<p>Absorb: Text, infographics, or presentation explaining concepts introduced in this module.</p> <p><i>Example:</i> Three minutes video explaining the basics of business accounting and bookkeeping practices.</p> <p>Do: Exercise to apply the new learning.</p> <p><i>Example:</i> Classify provided transactions based on the provided ledger categories.</p> <p>Connect: Exercise to apply the new learning to their business.</p> <p><i>Example:</i> List main sales and purchases at your business, and suggest how you can reclassify them more efficiently.</p> <p>Assess: Multiple choice questions.</p>

	<p><i>Example:</i> A new restaurant owner is looking to organize their bookkeeping, the owner is working with a part-time accountant, what should the owner look for to know if the accountant did the job properly?</p> <p>a) Sales and purchases records</p> <p>b) Tax billing</p> <p>c) Sales, purchases, TAX records, and sales returns</p>
Outcomes	<ul style="list-style-type: none"> • The SBO will know how to use financial management tools and apply them to their business. • The SBO will be able to develop a financial management system for their business.

Module 2:

Name	Business Financial Performance Analysis
Objective	Critically analyze and interpret financial data
Topics	<ul style="list-style-type: none"> • Costing and cost calculation • Cash flow management • Profit and loss management
Content	<p><i>Absorb:</i> Text and presentation explaining concepts introduced in this module.</p> <p><i>Example:</i> A presentation explaining the concepts of profit and loss and how do they relate to each other.</p> <p><i>Do:</i> Exercise to apply the new learning.</p> <p><i>Example:</i> The screen will show an income statement, the learner will be asked to point out the different components of the statement.</p>

	<p>Connect: Exercise to apply the new learning to their business.</p> <p><i>Example:</i> Reflect on your business's last month's sales and purchases data, and explain how they affect each other and what is wrong or right about it.</p> <p>Assess: Multiple choice questions.</p> <p><i>Example:</i> Which options are considered direct costs?</p> <ul style="list-style-type: none"> a) Packaging b) Shipping c) Marketing
Outcomes	<ul style="list-style-type: none"> • The SBO will effectively plan and predict cash flow. • The SBO will dynamically manage business income and liabilities.

Module 3:

Name	Planning Your Business Financials
Objective	Strategically set up a budget and sales targets
Topics	<ul style="list-style-type: none"> • Putting a budget for your business • Setting realistic sales targets
Content	<p>Absorb: Text and video explaining concepts introduced in this module.</p> <p><i>Example:</i> Text defining sales target and its role in the business.</p> <p>Do: Exercise to apply the new learning.</p> <p><i>Example:</i> Watch the video that shows a business owner sharing the sales target he set to his team, what do you think of these targets based on the context given in the video?</p> <p>Connect: Exercise to apply the new learning to their business.</p>

	<p><i>Example:</i> the learner will be asked to take one of their products and reflect on targets they set for it before, and explain if it worked or did not work and why so?</p> <p>Assess: Scenario-based assessment.</p> <p><i>Example:</i> An online shirt store owner, is not able to cover his expenses, so he analyzed his business sales for the past three months, and realized that he needs to increase his sales to make a profit, what are the ideal sales target for the next month?</p> <p>Keeping in mind the last three months expenses were as follow:</p> <p>June: 1750 USD</p> <p>July: 2150 USD</p> <p>August: 2850 USD</p> <p>After setting the target in dollars, set the number of shirts he needs to sell if the average shirt price is 50USD.</p>
Outcomes	The SBO will be able to set a realistic budget and sales targets.

Module 4:

Name	Using Financial Data to Assess Business Performance
Objective	Critically evaluate business financials to assess the overall performance
Topics	<ul style="list-style-type: none"> • Interpreting balance sheet • Working with Ratios
Content	Absorb: Text and video explaining concepts introduced in this module.

	<p><i>Example:</i> Three minutes video explaining what are the most common ratios used for small businesses and how they impact financial management.</p> <p>Do: Exercise to apply the new learning.</p> <p><i>Example:</i> The learner will watch a video of a business owner talking about their business and sales, the learner will be asked to list the ratios they think are needed for their business to assess the performance of this product.</p> <p>Connect: Exercise to apply the new learning to their business.</p> <p><i>Example:</i> Develop a balance sheet for your business using last months' data, then explain what does it tell you about your business.</p> <p>Assess: Scenario-based assessment.</p> <p><i>Example:</i> The learner will play the role of an investor and will be provided information about two businesses and the balance sheet for each business, and they are to compare between each one and decide which one they would prefer to invest in and why.</p>
Outcomes	The SBO will properly and confidently resort to tools such as balance sheets and ratios to assess their business performance.

Module 5:

Name	Improving the Business Financial Performance
Objective	Deliberately formulate a development plan for their business using financial management strategies

Topics	<ul style="list-style-type: none"> • Cost reduction • Increasing profits • Customer acquisition • Funding and investment
Content	<p>Absorb: Text, infographics, or presentation explaining concepts introduced in this module.</p> <p><i>Example:</i> An infographic showing the different approaches to improving the financial performance of a business.</p> <p>Do: Exercise to apply the new learning.</p> <p><i>Example:</i> XY company wants to improve their financial performance, according to the following information (Profit are 5% of sales, and they don't have enough cash flow to buy the raw material in bulk) what is the best way to do so and why?</p> <p>Connect: Exercise to apply the new learning to their business.</p> <p><i>Example:</i> Reflect on your business financial performance, and pinpoint which areas need improvement based on the information learned?</p> <p>Assess: Scenario-based assessment.</p> <p><i>Example:</i> The learner will be asked to act as a mentor for a business (business details, background, and the problem will be provided); the learner will be asked to provide the best development plan based on the financial data they are given and to explain why.</p>
Outcomes	<p>The SBO owner will confidently set calculated financial performance development plans for their business.</p>

The Discussion Board

A link will be provided to the learners to access the discussion board. The board (Appendix D) will be divided into five sections based on the modules included in the course. The reason behind this division is to allow the learner to engage in conversations and ask questions related to the module or topic they are focusing on, allow quick access to needed information, and let the reader browse the discussion based on their interest. The board will not allow participants to upload files, it will only allow text entered through the platform. The objective of this space is to promote networking and social learning among small business owners where they can share their concerns, questions, experiences, stories, and successful endeavors related to the course topic.

Accessibility and User Experience

The development of the instructional material will adhere to standard accessibility and universal design guidelines, with a focus on engagement, representation, and expression. The learning intervention will achieve this by offering different types of media to present information, using alternative text for images and videos, including videos captions, minimizing distractions, and clarifying the structure of the training.

Moreover, there will be attention given to visual illustrations, by intentionally choosing colors with proper contrast ratio, using clear and relevant font size and type, utilizing white space, and employing Gestalt psychology concepts such as similarity, proximity, and visual space scanning.

In addition to accessibility concepts, the development of the material will adopt relevant user experience design (UXD) guidelines, including following the same color pattern in all

modules, a similar layout, and purposefully positioning buttons, headlines, and sections. The design will ensure proper use of white space and easy navigation.

Instructional Material Development

WordPress is the main platform used to develop the instructional material. This platform was selected as it only requires a digital device and access to the internet, no further technology or setup is required. WordPress allows flexibility in the design and the use of different types of media. The instructional material is presented in different formats including text, video, and images, thus adhering to some of the universal design principles. The material starts with an introduction page, and is divided into five modules, each module is around one to three pages followed by a section for assessment. Buttons are used on every page to navigate the material (Appendix E). Pre-produced videos and pre-designed infographics are used in the course development while referencing their source. On the other hand, many parts of the course were designed and written specifically for this course. All the modules follow the same frame for the development, starting with the absorb content, where new information is introduced including definitions, how to, why to, and general tips. This part is followed by two sections of activities which are practice exercise and apply exercise. In the practice section, the exercise encourages the learner to use the information they learned in a specific scenario, while the apply section requires the learner to use their business financial data to complete the activity. Below are the details of the first three modules and course introduction.

The Introduction

The introduction page (Appendix F) introduces the learner to the course and what they are expected to learn. It also explains to them how the course was designed, the learning

objectives and outcomes they are to gain from this learning experience, and the modules included in this training.

The page starts with relevant headings and a welcoming paragraph, followed by an introductory video. The video welcomes the learner and introduces them to the course, the performance objectives, the modules, and how to navigate and benefit from this learning intervention. The video is followed by a written version of the learning objectives, the names of the five modules and a decorative image representing each one, and a hyperlink to every module that can take the learner to it directly. Additionally, there is a button that says *'start here'*, this button will take the learner to the first module. The two options of *'start here'* or the hyperlink from every module give the learner the flexibility to navigate the course in the way that suits their learning needs. If they want to complete the whole course they can start with the *'start here'* button, and if they want to complete a specific module, they can press on the hyperlink for that module and go to it directly.

At the end of the page, there is a brief about the discussion forum and a button called *'join the conversation'* that would take the learner to the discussion page directly.

Module 1

The first module of this training was developed over four pages, each page introduced a topic following the framework of absorb, do, and connect. The fourth page includes the assessment activities, where the learner will test their knowledge and how much did they take from the material. This module is called *'Business accounting basics'* and focuses on three main topics: bookkeeping, financial statements, and taxation.

A) Bookkeeping for Small Businesses

The first page of the module includes the module learning objective and module content (Appendix G) then it introduces the topic of bookkeeping. The absorb section of this module uses text, video, and an infographic. This section teaches the learner what is bookkeeping and why is it important for their business, how to do bookkeeping, and the proper steps to prepare it. This is followed by a do activity which allows the learner to synthesize what they have learned and apply it to a specific scenario; for this topic, the activity is a drag and drop, where the learner is given a specific scenario and asked to use the new information to drop the word at the correct box. The last activity in this page was a connect activity where the learner is asked to apply the new learning to their business, in this section an essay question was used asking the learner to analyze their business bookkeeping system, and explain what are they doing correctly and what needs to be modified plus support their answer with the information they learned in this section

B) Financial Statements Every Business Needs

The second page of this module covers the second topic which is important financial statements for any business (Appendix H). The media used to present the information was presentation and video. The presentation consisted of ten slides that explained what is a financial statement and introduced the three main financial statements needed by any business (Appendix I). The two videos included teaches the learner about the three financial statements and how they work together in a business. The page also includes an activity that shows the learner an income statement and asks them to name the two main categories of this statement, followed by an apply exercise where the learner is required to reflect on their business financial data and develop a cash flow statement for the coming month.

C) Filing Taxes and Returns

The third page in this module explains taxing and how to calculate taxes for a small business (Appendix J). The media forms used here are video and infographics, they introduce business taxes and how to file them, what to look for when filing taxes for a small business, and common mistakes that a business owner can fall into when practicing this duty. The practice exercise on this topic is a scenario-based question that presents a certain scenario and asks the learner to guess why is the business owner in the given scenario is finding difficulty in calculating his business taxes. This activity is followed by an apply exercise that encourages the learner to reflect on their business accounting practices and explain how do they file their business taxes and if there is a way to minimize tax deductions.

D) Test your Learning

The last page of this module includes assessment activities that permit the learner to test how much information did they retain (Appendix K). It also encourages them to practice the new information after they have completed the whole module. This module consists of different types of questions including multiple-choice, true or false, drag and drop. The variety in styles was intentional to engage the learner and to accommodate different learners' needs.

Module 2

The second module of this training covers the topic of business financial performance analysis. The module extends over three pages, followed by an assessment page, and follows a similar frame and structure as the previous module. The module starts by stating the learning objective for this module and the subtopics it will include. This module can stand alone or it can build on module 1, this will depend on the learner's needs and goal.

A) Profit and Loss Management

The first page of this module covers the topic of business profit and loss management (Appendix L). It presents the information in text and video format to teach the learner what is meant by profit and loss management, and how to use an income statement as a tool to manage the business profit and loss, how to interpret an income statement to understand the business status, and how to improve the findings. This information is followed by an exercise that allows the learner to generally practice what they learned, this exercise presents a sample income statement and asks the learner to share what does this statement tell them about that business. This activity is followed by another one that encourages the learner to connect to their business and apply what they have learned to their business; here the learner is asked to compare their business financial statements for the last three years and share their findings and what can be done to improve it while keeping their eyes on specific trends.

B) Costing and Pricing

The second page of module 2 introduces costing and pricing in a small business (Appendix M). It covers what is costing and pricing, what are the components of a product or service cost, how to calculate these costs, pricing strategies, and a comparison between pricing and costing. The information is presented in four formats, text, infographics, video, and presentation slides (Appendix N). Similarly, the absorb section is followed by a do and a connect exercises. The do exercise asks the learner to look at a product cost breakdown and requires them to set the proper price for this product using the cost-plus profit strategy. The connect exercise encourages the learner to choose a product or service their business offers, review its cost and analyze its pricing, then experiment with different pricing strategies.

C) Cash flow Management

The third page in this module introduces the learner to cash flow management (Appendix O) and uses text, video, and infographics to introduce this topic. The page defines what is the process of cash flow management, how to improve business cash flow, and general tips on managing business cash flow more efficiently. It also includes a do activity that asks the learner to review a provided cash flow statement and explain what does it say about that business. Followed by a connect exercise, where the learner is required to pull their business last year's cash flow statement and explain what does it tell them about their business cash flow status, define if there were any problems, justify cash flow trends, and how can they use that information to improve next year's cash flow.

D) Test Your Learning

On this page, the learner is provided several questions to answer and test how much knowledge did they gain from completing the second module (Appendix P). The page includes multiple-choice questions, true or false, drag and drop, and a scenario-based question. The questions cover content introduced in the whole module and encourage the learner to test the amount of information they retained. It also reminds them of the main points introduced in this module. Scenario-based questions are a creative way that allows the learner not only to recall the information but to synthesize it and apply it to the scenario they are given.

Module 3

The third module in this training is about planning business financials. The module starts with the learning objective and module subtopics, which are budgeting and setting sales targets. The module consists of two pages each page is dedicated to a subtopic and includes absorb, do, and connect activities. The two pages are followed by an assessment page that lets the learner see

how much information did they obtain. Similar to module 2, this module can stand alone or build on the information covered in the previous module.

A) Budgeting

This subtopic is introduced on the first page of the module (Appendix Q) and teaches what is budgeting, why is it important for the business, and what makes a good budget. It also teaches budget components and how to create one. The information is presented using various media forms including presentation, video, and images. The presentation is used to introduce the seven components of a budget and consists of six slides (Appendix R). The two videos that are included in this page teach how to budget and tips on effective budgeting for a business. A sample budget is also presented to familiarize the learner with how a budget looks like and how the components are presented. The page also includes a do activity that asks the learner to review a sample budget and request them to explain what does the budget says about the business it presents. Similar to the other modules, the page includes a connect activity that requests the learner to apply the new information to their business, in this activity the learner is asked to create a proper three-month budget for their business and to explain what it predicts.

B) Setting Sales Target

The second page of this module talks about setting a sales target (Appendix S). It introduces the topic via text and video and covers important themes on the topic. It defines what is meant by sales target, the steps to take to set a business sales target, and the fundamentals of setting proper targets. This page also contains do and connect activities that adopt an essay question format. The do exercise uses a scenario-based approach, while the connect exercise asks the learner to use their business actual data to complete the question.

C) Test your Learning

The new content pages are followed by an assessment page (Appendix T), this page allows the learner to assess how much did they learn and retained. It also works as a reminder of the central information that was covered in the module. The assessment questions include multiple-choice, drag and drop, true or false, and essay questions. The objective of these questions is to measure learners' information retention and ability to synthesize what they have learned.

Pilot and Implementation Plan

The design and development phases are part of the instructional design process, however, a design without implementation and testing is not valued. To test the material and its effectiveness an implementation plan is required. After the approval of the design and development, the client is required to review the whole material and provide feedback before it is ready for testing. Once the client decides that the training is ready, they will be required to choose two mentors and a group of SBOs who are using the client's mentoring services to try the soft version of this training. At this stage, ten SBOs is the minimum number of learners that are required to run the pilot version. For this phase, the SBOs will be notified that this is a soft version of the training and their feedback will be required.

The objective of the pilot version of this training will be to assess the training structure, components, content, relevance to learners, and to what extent the learning objectives are met. To achieve this goal, the project SMEs will work closely with the mentors and SBO who are selected for this trial. The SMEs will introduce the training material to the mentors and explain to them the design strategy and the learning objectives, the value this material will add to their mentoring sessions; which are shorter mentoring periods, better results, and advanced mentoring; and what is their role.

The selected mentors' role at this stage is to explain to the selected SBOs about the training program, the importance of this pilot phase, what they are to expect at this point, and how they can help improve the program. Additionally, the mentor will conduct a mentoring session before the SBO starts the training program to set the learning objective and goal for every business owner. They will also collect feedback and input from the participating SBOs and will share these findings with the project SMEs and instructional designer, so they can work on its improvement and adjustments.

Evaluation Plan

Evaluation is important in assessing the effectiveness of training and how the learners perceive it. Since this training will be part of the mentoring services at The Consultation Center, the mentors who will be working with the SBOs will take part in the evaluation process. As the training is expected to impact learners' knowledge, behavior, and enhance the business performance overall, the Kirkpatrick four levels of training evaluation will be adopted in evaluating this learning intervention. According to Paul et al. (2016), the first level is 'reaction' and considers how the learners react to the learning intervention and how happy are they with the experience; the second level is 'learning' and measures if the learners acquired intended new knowledge or skills. Paul et al. (2016) add that at level three 'behavior' the evaluation looks at how much did the learner change their behavior in the context they will be performing the gained knowledge, and finally at level four 'results' the evaluation focuses on assessing the long-term outcomes from completing the training.

Level 1: Reaction

To evaluate SBO's reaction to the overall learning experience, two actions will be conducted. A digital survey will be sent to the participant after completing the training, the

questions in the survey will focus on what the learner enjoyed about the training and what they did not like. Besides what they think of the material included, style, method used, and topic. This will be a standard survey and the participant will be informed that it is optional but they will be encouraged to share their opinions and give feedback. The other action will require the mentors to ask the SBOs about their experience with the learning material and if they were happy with the content or outcomes. As the mentor and mentee relationship develop participating SBOs will be forthright to share what they think about the program and if they are pleased with the overall experience.

Level 2: Learning

This level will depend on how much the SBOs display understanding and proper application to their business. To assess if the desired learning has happened, the mentor will ask the SBOs to apply some of the learned concepts to their business and promote discussion and further explanation to demonstrate the level of understanding and knowledge transfer. The discussion board will be another way to evaluate knowledge transfer. Monitoring the conversations and the mentors' feedback on these conversations will be an additional source for evaluating knowledge transfer.

Level 3: Behavior

The improvement of business owners' behavior towards financial control and management is the main indicator for the effectiveness of this training. This level of evaluation will be through the assigned mentors who will be provided a standardized scale to use as their reference. At the first mentoring session, the mentor will ask the business owner specific questions related to the business operation, and the mentor will be able to determine the level of knowledge and exiting behavior. A similar assessment will take place after the training is

completed. The mentor should be able to judge if the SBO's behavior has changed to where it is desired to effectively manage their business's financials. Also, change in behavior will be noticed in how the business owner will have more confidence when working on the financial aspects of their business during the mentoring session.

Level 4: Results

According to Paul et al. (2016), this level extends to see the impact of the training from the individual level to the organizational level, it looks at the long-term outcomes expected from the learning intervention, they referred to it as the return on expectations (ROE). For this training, the fourth level will be assessed based on the business's performance and the level of financial growth that has been reached. This level needs a longer time to be realized; however, since the mentoring relationship requires long-term commitment and continues work it will be attainable. This level will be measured based on the improvement the enrolled businesses have financially and operationally improved. There will be a comparison between the mentors' session reports from when the mentoring and training started, up to the time the training is completed and the mentoring has been going for at least three months. This comparison should show an improvement to prove the effectiveness of this learning intervention.

Conclusion

All in all, this project followed the ADDIE instructional design module to solve a performance problem that was proposed by The Consultation Center. This organization works with small business owners in helping them grow and expand their businesses; however, the organization noticed a knowledge gap between the SBO and the mentor they are working with, which in turn affects the efficiency of the mentoring sessions. The process started with an assessment where research, interviews, and surveying took place. At this stage, this learning

intervention has shown to be needed by small business owners who are being mentored by the client. This finding came as a result of the interviews and surveys completed by relevant stakeholders, and discoveries from the literature review process.

The design phase was followed by the development phase where the instructional material was developed using WordPress and H5P applications. Three modules were developed using an absorb, do, connect framework, and complemented with formative assessment exercises. It was recommended to start the implementation phase with a soft pilot version before it is officially used with all small business owners who are being mentored by The Consultation Center. The pilot program requires selecting a couple of mentors and a small group of small business owners who are willing to commit and provide their feedback. The evaluation of this learning intervention will adopt Kirkpatrick's four levels of training evaluation which are reaction, learning, behavior, and results. After the evaluation phase is completed, modifications to the instructional material and delivery method will take place based on the evaluation process findings. After the modifications are completed the training program will be ready for its official launch.

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Appendix A

SME's Interview Questions

SME's Interview Questions

Description: This is a questionnaire/interview designed to get information from the project SMEs that will allow the instructional designer to assess training needs.

Time: 8 – 10 min

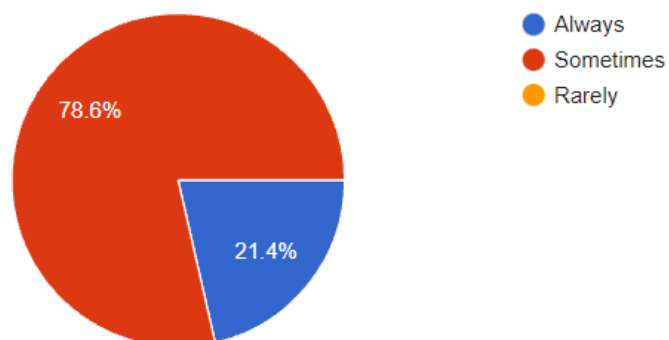
1. How does your organization define mentoring?
2. What is the mentoring process you use in your organization?
3. On what basis are mentors and mentees matched?
4. What issues do mentors complain about when working with mentees?
5. What issues do mentees struggle with when working with mentors?
6. What value will a training program add to your mentoring services?
7. What is the organization's objective from mentoring and consulting services?
8. How does your organization perceive and evaluate small business growth?
9. What are the main skills do mentors focus on when working with small business owners?
10. Do you believe that the mentee understands the value and concept of mentoring? Why and why not?
11. Do you think pre-mentoring training can improve mentoring results? Why?
12. What are the most important business skills and knowledge that needs to be developed for the business owner before the mentoring process takes place?

Appendix B

Mentors' Survey

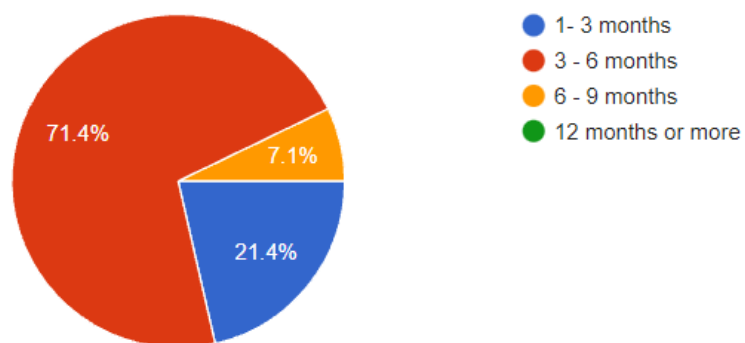
1. How often your mentoring efforts are successful?

14 responses



2. How long do your mentoring efforts take until the SBO notices improvement in their business?

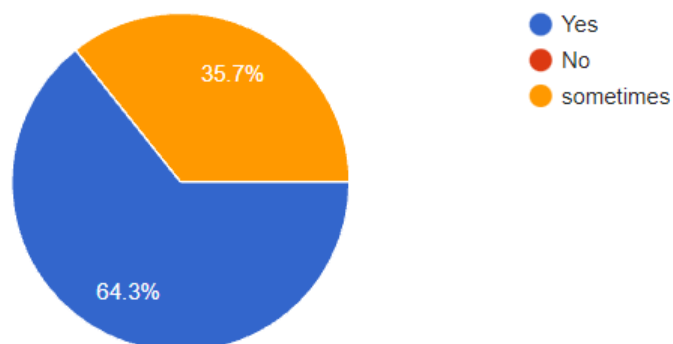
14 responses



3. From your experience, does mentoring lead to small business growth?

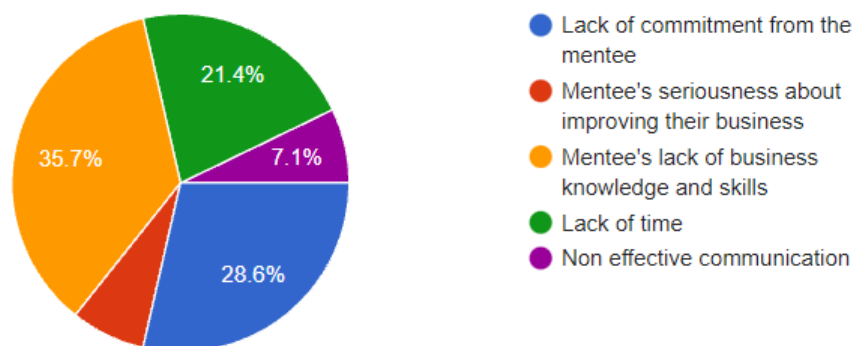


14 responses



4. What challenges do you face when mentoring SBOs?

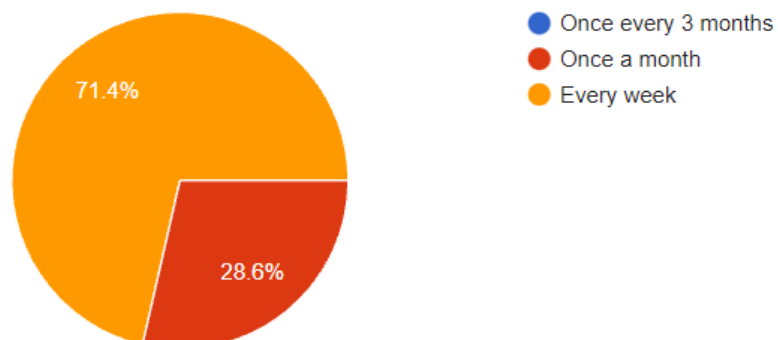
14 responses



5. How often do you need to conduct mentoring sessions to see results?

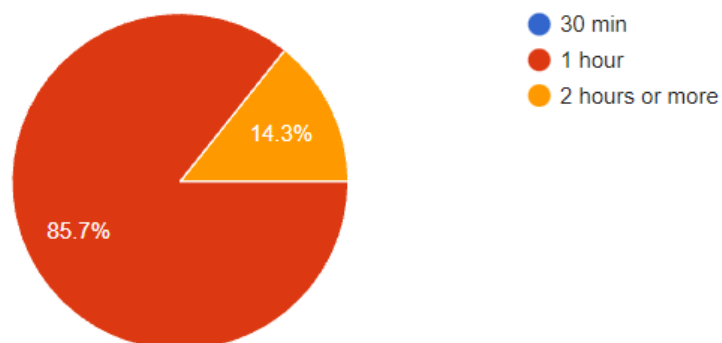


14 responses



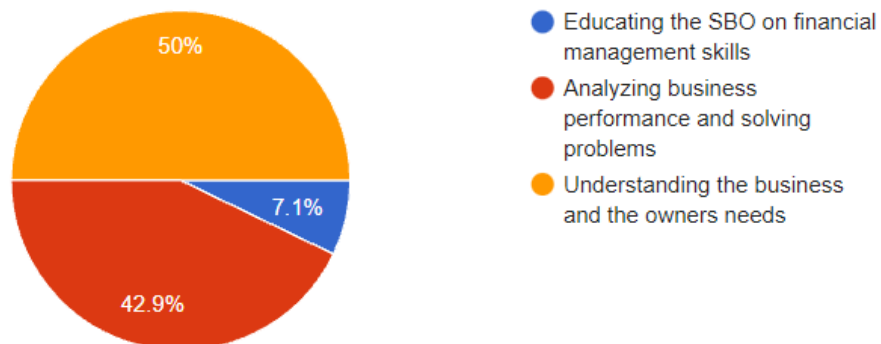
6. How many hours do you dedicate for a mentoring session?

14 responses



7. What do you spend more time on during the sessions?

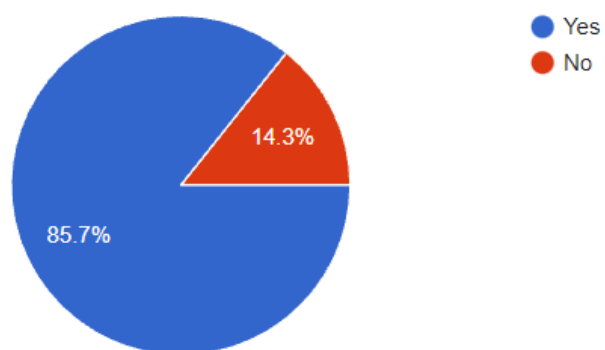
14 responses



8. Is the SBO able to easily apply the information and advice you share with them?



14 responses



9. If you answered "NO" to the above question, please explain why?

14 responses

Not applicable

Although they can grasp the ideas we discuss, they revert to old habits when under pressure

I answered YES

.

Yes

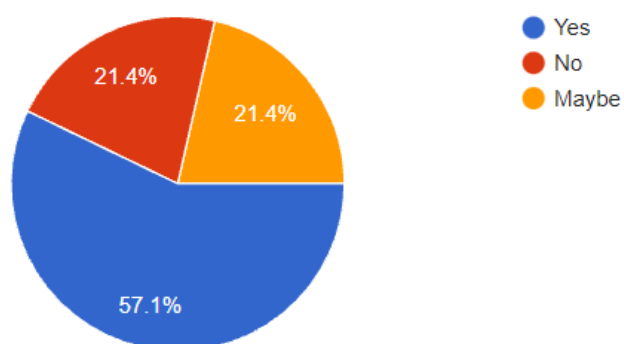
They find the information hard to apply because they were never exposed to this information and they need more time to learn it

-

It is yes :)

10. Do you think a financial literacy training for the SBOs prior the mentoring will be helpful to you and the mentee?

14 responses



11. If you answered "YES" to the above question, please indicate which financial skills or topics are required?

14 responses

Company formation
Regular bookkeeping
VAT Tax
etc.

General knowledge, Balance Sheets, Cash flow projections

Up to now I have not encountered a small business owner with a need to be trained on financial skills. I have not witnessed this gap yet.

My expertise is product development. Wouldn't affect that much.

Financial analysis, balance sheet

Business management
Financial knowledge
Budgeting

I answered NO

.

A general business finance course covering various metrics, costs to business and general bookkeeping, accounting to tabulate top lines/bottom lines etc

Profit and loss, break even point, cash flow management, ROI

Business evaluation- stock shares- market prediction

Financial management, accounting & business modelling

Financial Statement Analysis, Corporate Finance

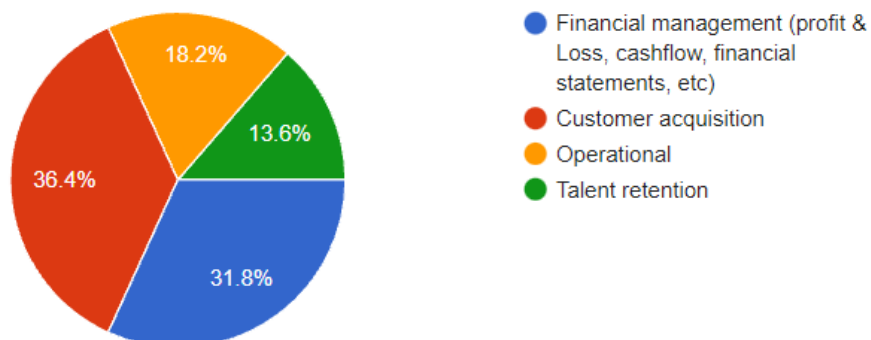
Appendix C

SBOs' Survey

1. What is the biggest challenge in managing your business?

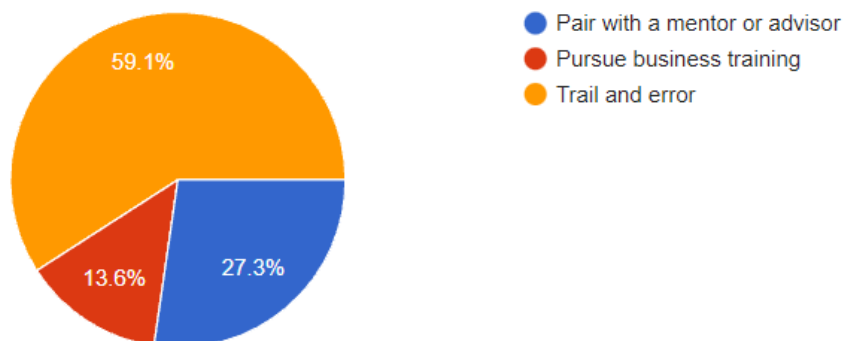


22 responses



2. How do you manage these challenges?

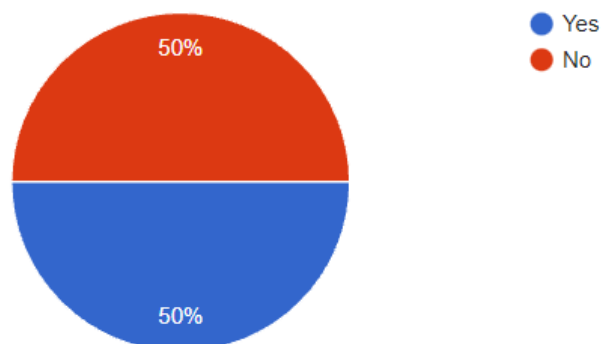
22 responses



3. Have you worked with a mentor before?

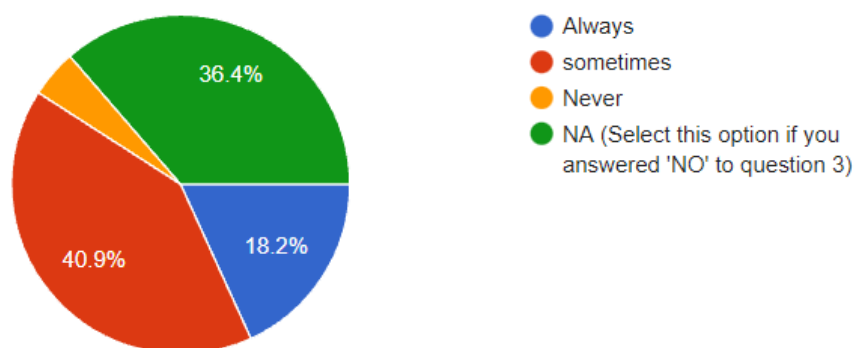


22 responses



4. How often do you benefit from working with a mentor?

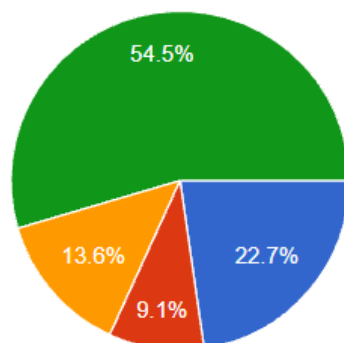
22 responses



5. What challenges do you face when working with a mentor?



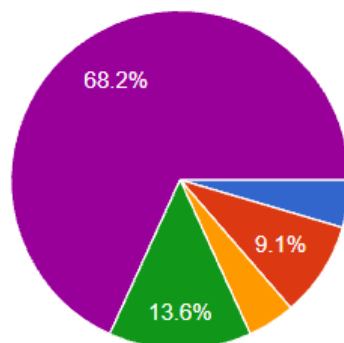
22 responses



- Lack of knowledge (business aspects such as proper financial skills, strategizing, planning, etc.)
- Shortage of time and ability to commit
- The mentor does not understand my problem
- NA (Select this option if you answered 'NO' to question 3)

6. I have never worked with a mentor because:

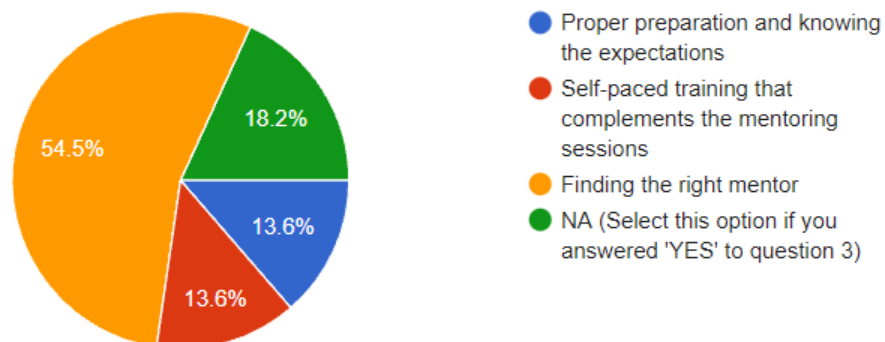
22 responses



- I don't have confidence in my business management skills that would allow me to engage with a skilled mentor
- I could not find a mentor
- I don't have time
- I choose not to
- NA (Select this option if you answered 'YES' to question 3)

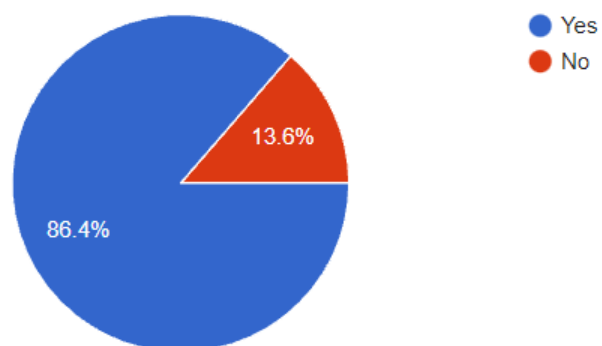
7. What would encourage you to work with a mentor for your business?

22 responses



8. Do you think a pre-mentoring self-paced training would support your mentoring sessions?

22 responses



9. Please explain your previous answer

22 responses

It will save time and effort

It just sounds like a cool idea to make sure the mentorship is productive

So I can understand the comments and apply them myself

Yes it would because it will give me flexibility to go at my own pace and to fit it within my daily schedule. It will give me a sense of control and prevent me from feeling overwhelmed which would happen if there were too many deadlines to adhere to.

Expert people could help from their experience

Will guide to a better management and flow for stability and developing the business

Yes

Better planning.. higher efficiency.. greater results

It would introduce me to what topics the mentor will work on or prepare me for an advanced level or mentoring

No time to commit

It helps prepare for a productive session, eliminate things where I don't require much help and focus on important things

-

Don't know

Time saving

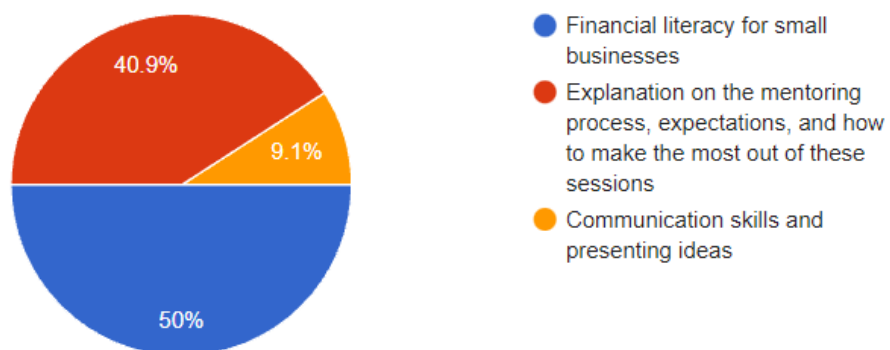
It helps to know how will the mentoring work for me

Maybe they can help us prevent the mistakes we are making now.

10. What do you suggest the pre-mentoring training if available should focus on?



22 responses



Appendix D

Discussion Board

HOME



Financial Literacy For Business Owners



Join The Discussion




Forum	Profile	Members	Subscriptions	Activity	Logout	<input type="text" value="Search ..."/>
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 Forum



Forum

Assessing business performance		Last post
	Balance Sheet all about reading and interpreting balance sheets <i>0 Topics · 0 Posts</i>	No topics yet!
	Ratios ask about business ratios and how they guide your assessment <i>0 Topics · 0 Posts</i>	No topics yet!

Business accounting basics		Last post
	Financial statements lets talk about your business financial statements <i>0 Topics · 0 Posts</i>	No topics yet!
	Bookkeeping All you need to ask about Bookkeeping <i>0 Topics · 0 Posts</i>	No topics yet!

Financial performance analysis		Last post
	Profit and loss management questions about profit and loss <i>0 Topics · 0 Posts</i>	No topics yet!
	Cashflow management post you questions about managing cashflow <i>0 Topics · 0 Posts</i>	No topics yet!
	Pricing all about pricing and calculating costs <i>0 Topics · 0 Posts</i>	No topics yet!

Improving financial performance		Last post
 cost reduction share and ask about cost reduction <i>0 Topics · 0 Posts</i>		No topics yet!
 Increasing profits share your tips and learn about how to increase profits <i>0 Topics · 0 Posts</i>		No topics yet!
 Customer acquisition all about increasing your customer base <i>0 Topics · 0 Posts</i>		No topics yet!
 Funding and investment a place to ask about attracting investors and funding opportunities <i>0 Topics · 0 Posts</i>		No topics yet!

Planning your business financials		Last post
 Budgeting post your questions about creating a budget for your business <i>0 Topics · 0 Posts</i>		No topics yet!
 Sales targets Need help with setting your business's sales targets <i>0 Topics · 0 Posts</i>		No topics yet!

● New posts ● Nothing new ✓ Mark All Read ↺ Show Unread Topics

Appendix E

Navigation Buttons

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Start Here

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Module 2

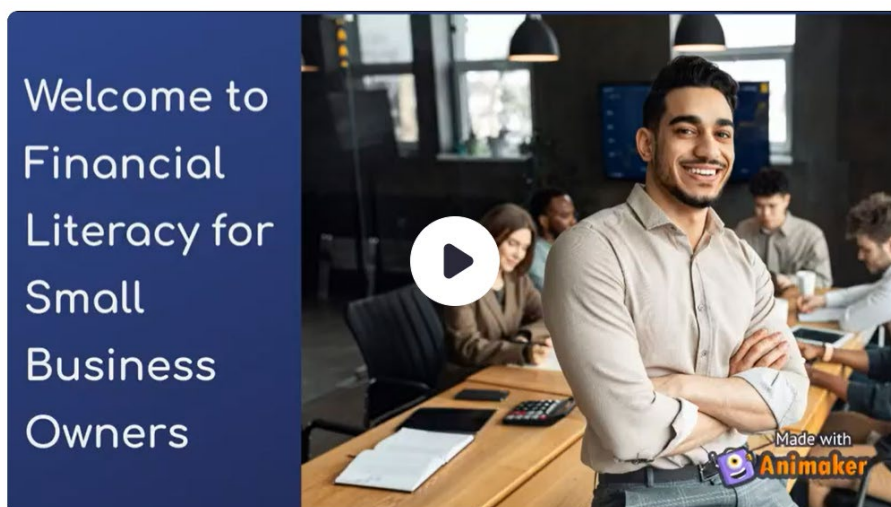
Appendix F

Introduction Page

Financial Literacy For Small Business Owners

Introduction: Welcome To Financial Literacy For Small Business Owners

Hello Small Business Owner and welcome to Financial Literacy training program for small business owners. The Consultation Center provides this learning experience as part of its mentoring services. In the following video you will learn more about the program.



Learning Objectives And Outcomes

1. When managing your business, you will accurately recognize and employ business accounting basics to your business including bookkeeping, financial statements, and tax (VAT) calculation.
 2. You will smoothly analyze and interpret financial data when running your business using concepts of profit & loss, cash flow, and costing.
 3. When planning for your business, you will strategically set a budget and sales targets.
 4. You will critically evaluate your business financials when assessing its performance.
 5. As you are planning to grow your business, you will deliberately formulate a development plan for your business using financial management strategies such as cost reduction, sales increase, and attracting investors.
-

Modules



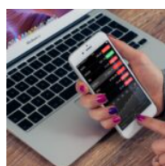
Module 1:
Business
Accounting Basics



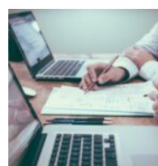
Module 2:
Business Financial
Performance
Analysis



Module 3: Planning
your Business
Financials



Module 4: Using
Financial Data to
Assess
Performance



Module 5:
Improving
Business Financial
Performance

[Start Here](#)

Discussion Forum

The discussion forum is part of this learning experience, this forum will allow you to connect with other small business owners and mentors, share your experience, ask questions, or just be part of engaging and fruitful conversations around the topics of this program.

[Join the Conversation](#)

Appendix G

Module 1- A

[HOME](#)

Module 1: Business Accounting Basics

Learning Objective

At the end of this module you will be able to accurately recognize and employ business accounting basics to your business including bookkeeping, financial statements, and tax (VAT) calculation.

Content

- Book keeping for small businesses.
- Financial statements every small business needs.
- Tracking taxes and VAT.

A) Book Keeping For Small Businesses

What Is Bookkeeping?

Bookkeeping is the process of recording financial transactions for a business, including the ongoing recording of a business' daily transactions. It deals with the processing and interpretation of all types of financial information, creating and maintaining an organization's financial records. It involves consistently recording a company's financial transactions, as well as the archiving and secure storage of financial documentation. Proper bookkeeping is your first step to managing your business financials

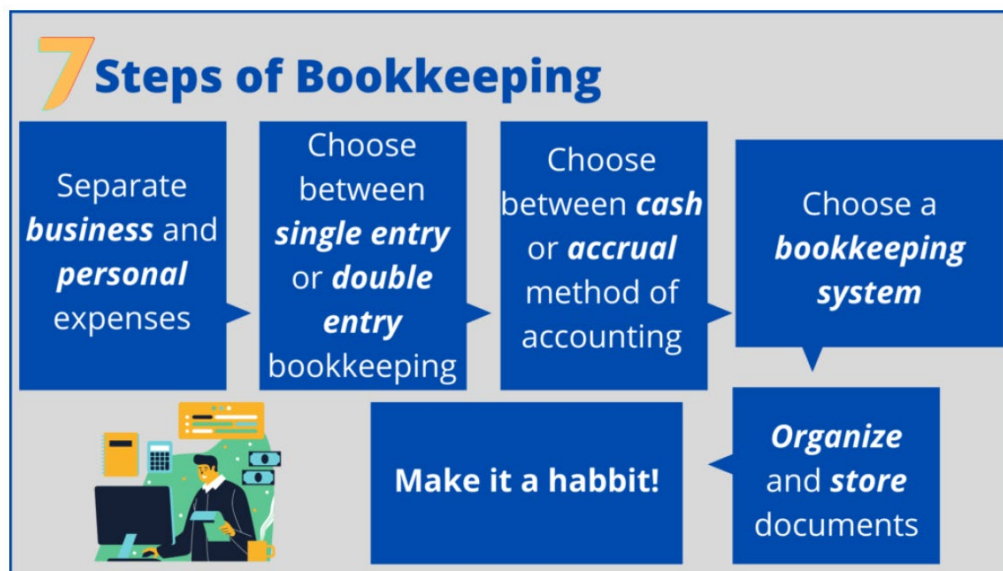
Why Is Bookkeeping Important For Your Business?

- Ensures that you are on top of your business's financial transactions.
- Keeps your financial records organized and let you know where is your money going.
- Helps in maintaining accurate financial data.
- Supports the generation of financial statements and business financial analysis.
- Impacts business financial planning and budgeting.
- Helps in catching tax deductions and accounting errors.

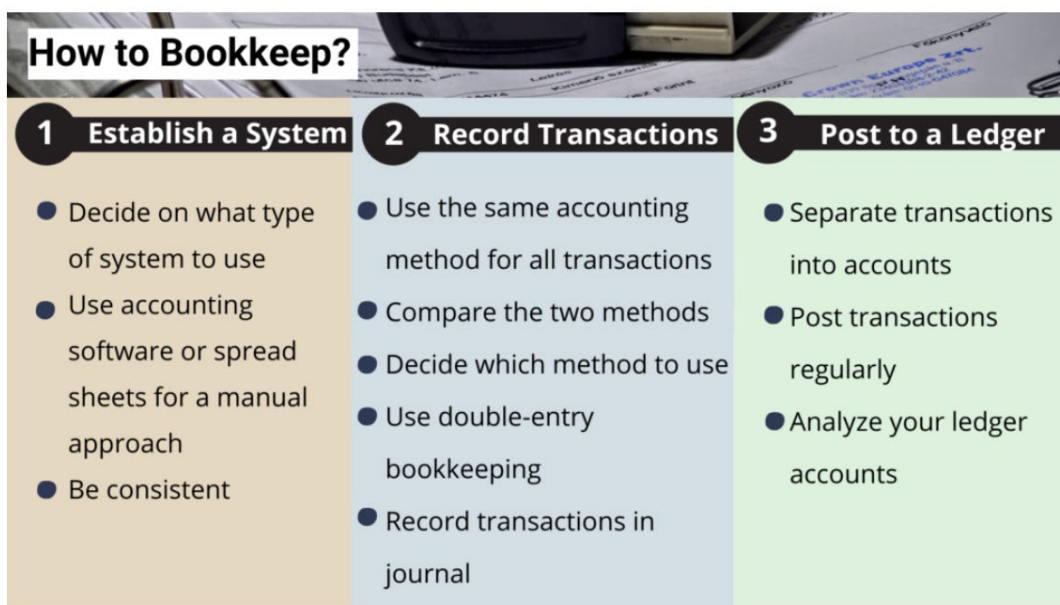
The following video explains more about bookkeeping



Your Way To Bookkeeping



How To Bookkeep?



General Tips

1. Be sure to pay your suppliers a few days in advance of the payment deadline, whether it is 30 days or a longer time period. This will give you some leeway if you forget to pay on that day and put you on good terms with suppliers.
2. If bookkeeping begins taking up too much of your time as your business grows, it may be a good idea to hire help. Hiring an educated accountant will allow you to gain a more complete and accurate picture of your business's financial health.
3. Make sure to understand the basics of bookkeeping so you can effectively evaluate how well is your accountant doing their job.

Practice

Drag the words into the correct boxes

1- Sara was organizing an office lunch for her employees, she went to the grocery store and bought a cake for the lunch and she bought a 2 cupcakes for her to eat at home. The cupcake is considered a expense.

personal

business

2- Adam is planning a business trip to New York, where his parents live. The business he is going for requires three days, during these three days he managed to see his family. The trip expenses is considered expense.

✓ Check

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Apply

Take the time to analyze your business bookkeeping system, and explain what are you doing correctly and what needs to be modified and why?

✓ Check

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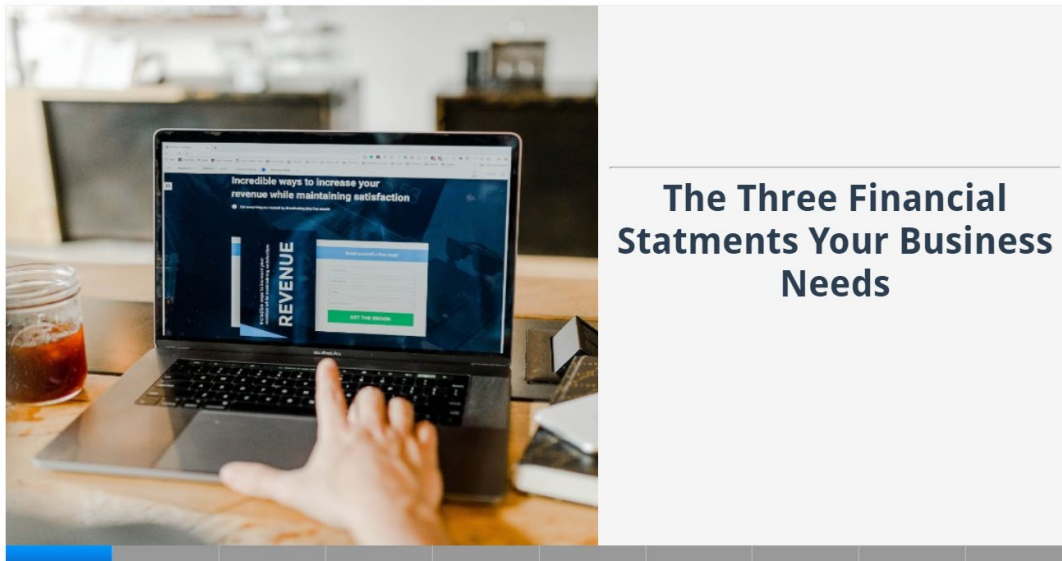
Appendix H

Module 1- B


HOME


B) Financial Statements Every Business Needs

The Big Three:



Watch the following video on the main three financial statements


5 Minute Finance Lesson: Financial Statement Basics



 Copy link

**Example Company
Income Statement**

For the Month Ended March 31, 2012

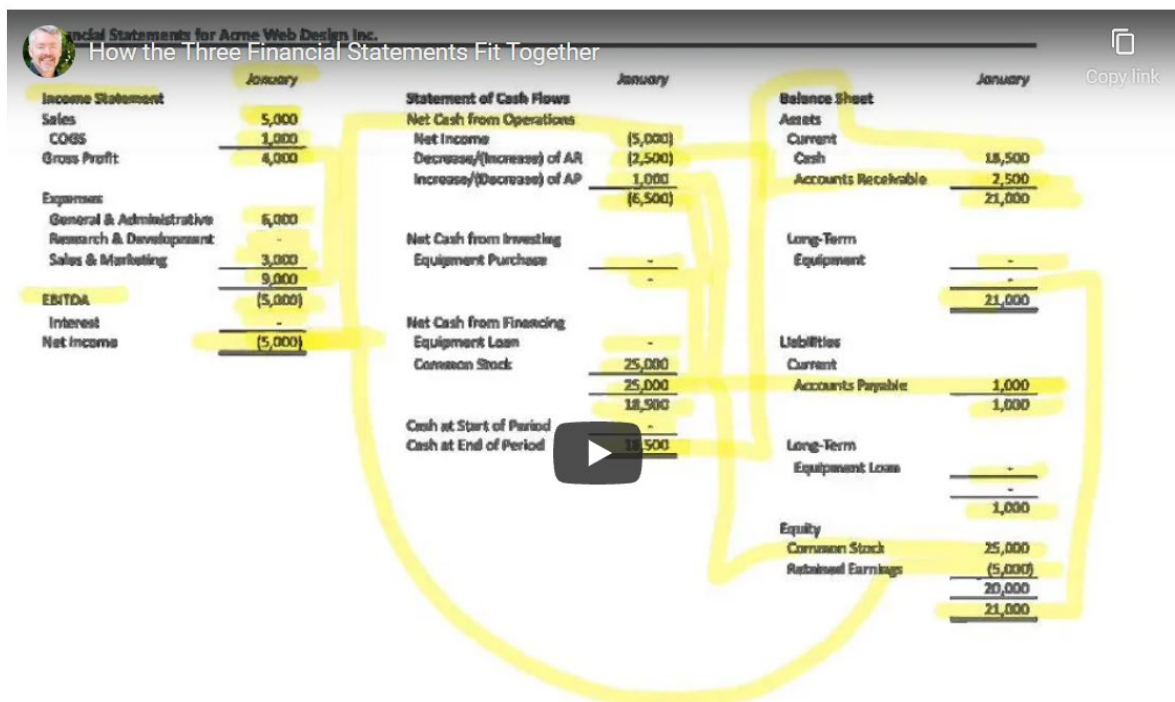
Sales	\$ 12,000
Cost of Goods Sold	\$ 4,000
Gross Profit:	\$ 8,000
Operating Expenses	
Selling Expense	
Advertising Expense	\$ 500
Sales Commissions Expense	\$ 2,400
	\$ 2,900
Administrative Expense	
Office Supplies Expense	\$ 200
Utilities Expense	\$ 300
	\$ 500
Total Operating Expense:	\$ 3,400
Operating Income	\$ 4,600
Non-Operating Income	
Interest Revenues	\$ 500
Gain on Sale of Investments	\$ 300
Interest Expense	\$ (250)
Total Non-Operating Income	\$ 550
Net Income	\$ 5,150

The income statement shows a company's profit or loss over a specified time period.



The income statement shows revenues and expenses split into operating and non-operating income.

How The Main Financial Statements Fit Together?



Practice

Name the two main categories showing in this income statement

Jazz Music Shop, Inc. Income Statement For the Year Ended December 31, 2015		
Merchandise Sales	\$ 5,000.00	
Music Lesson Income	1,400.00	
Total :		\$ 6,400.00
Salaries	500	
Rent expense	100	
Depreciation expense	234	
Utilities expense	950	
Supplies expense	31	
Total :		1,815.00
Net Income		\$ 4,585.00

[See the answer](#)

Apply

Take the time to reflect on your businesses, and use your business financial data to develop a cash flow statement for the coming month. Make sure to include all cash transactions expected to enter or leave your business that month.

✓ Check

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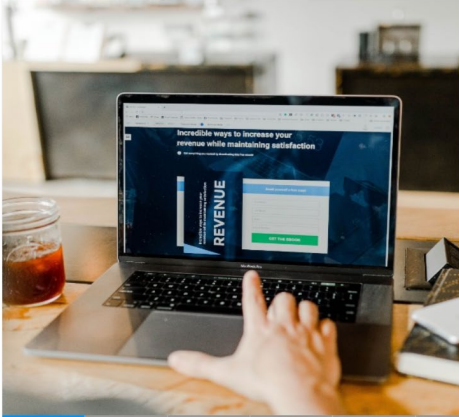
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Appendix I

Financial Statements Presentaiton



**The Three Financial
Statments Your Business
Needs**

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What is a financial statement?

Financial statements provide a formal record of an organization's financial activity, its current financial status and an idea of how well it may/may not perform in the futur, they also help in showing the business activity and its financial performance

◀ 2 / 10 ▶

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The Main Financial Statements Your Business Need

- Profit & loss statement (Income Statement)
- Cash flow statement
- Balance Sheet



◀ 3 / 10 ▶

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Profit & Loss Statement

A profit and loss statement (P&L), or income statement is a financial report that provides a summary of a business's revenues, expenses, and profits/losses over a given period of time. It also shows its ability to generate sales, manage expenses, and create profits

	Year Ended December 31,		
	2018	2017	2016
Net product sales	\$ 79,208	\$ 64,067	\$ 114,571
Net service sales	27,736	41,322	59,293
Total net sales	107,006	105,389	173,864
Operating expenses:			
Cost of sales	71,451	58,205	111,974
Fulfillment	13,430	17,619	21,249
Marketing	5,254	7,213	10,069
Technology and content	12,540	16,085	22,628
General and administrative	1,747	2,432	3,674
Other operating expenses, net	171	187	214
Total operating expenses	104,593	103,661	170,708
Operating income	2,413	4,188	4,156
Interest income	50	100	202
Interest expense	(493)	(444)	(448)
Other income (expenses), net	(256)	90	346
Total non-operating income (expenses)	(699)	(254)	(300)
Income before income taxes	1,714	3,934	3,856
Provision for income taxes	(550)	(1,425)	(759)
Equity method investment activity, net of tax	(22)	(88)	(4)
Net income	\$ 942	\$ 2,421	\$ 3,093
Basic earnings per share	\$ 1.25	\$ 3.10	\$ 4.12
Diluted earnings per share	\$ 1.22	\$ 3.00	\$ 4.10
Weighted-average shares used in computation of earnings per share:			
Basic	667	474	489
Diluted	699	499	511

sample P&L statement

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Profit & Loss Statement Structure

A business's statement of profit and loss is portrayed over a period of time, typically a month, quarter, or fiscal year.

The main categories that can be found on the P&L include:

- Revenue (or Sales)
- Cost of Goods Sold (or Cost of Sales)
- Selling, General & Administrative (SG&A) Expenses
- Marketing and Advertising
- Technology/Research & Development
- Interest Expense
- Taxes
- Net Income

◀ 5 / 10 ▶

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Cash Flow Statement

A cash flow statement (CFS) is a financial statement that summarizes the amount of cash and cash equivalents entering and leaving a company, it acts as a bridge between the income statement and balance sheet by showing how money moved in and out of the business

Statement of Cash Flows			
Construction Company			
Statement of Cash Flows			
5/1/2015	Current Period	Prior Period	Increase (Decrease)
	07/01/13 to 06/30/14	07/01/14 to 06/30/15	07/01/13 to 06/30/15
BEGINNING CASH ON HAND	24,110.00	31,885.00	(7,775.00)
ADD: CASH RECEIPTS			
Cash Sales	17,000.00	17,000.00	(0.00)
Collections From Customer Credit Accounts	35,000.00	36,750.00	(1,750.00)
Loan or Other Cash Injection			
Interest Income	250.00	250.00	-
Income Tax Refund			
Misc. Cash Receipts	50.00	50.00	-
TOTAL CASH RECEIPTS	47,300.00	49,450.00	(2,150.00)
LESS: CASH PAYMENTS			
COST OF GOODS SOLD:			
Direct Product/Service Costs	13,000.00	13,000.00	(0.00)
Salaries-Direct	3,800.00	3,895.00	(95.00)
Payroll Taxes and Benefits-Direct	225.00	236.25	(11.25)
Supplies	400.00	420.00	(20.00)
Other Costs	50.00	52.50	(2.50)
Sub-Total Cost of Goods Sold	15,975.00	16,593.75	(618.75)
OPERATING EXPENSES:			
Advertising and Promotion	300.00	315.00	(15.00)
Automobile/Transportation	50.00	52.50	(2.50)

Cash flow statement sample

Cash Flow Statement Structure

1. **Operating Activities:** The principal revenue-generating activities of an organization and other activities that are not investing or financing; any cash flows from current assets and current liabilities.
2. **Investing Activities:** Any cash flows from the acquisition and disposal of long-term assets and other investments not included in cash equivalents
3. **Financing Activities:** Any cash flows that result in changes in the size and composition of the contributed equity capital or borrowings of the entity (i.e., bonds, stock, dividends)

Balance Sheet Statement

The term balance sheet refers to a financial statement that reports a company's assets, liabilities, and shareholder equity at a specific point in time

The balance sheet is based on the fundamental equation: **Assets = Liabilities + Equity**

Balance sheet example			
TEDDY FAB INC.			
BALANCE SHEET			
December 31, 2100			
ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
Current assets		Current liabilities	
Cash and cash equivalents	\$ 100,000	Accounts payable	\$ 30,000
Accounts receivable	20,000	Notes payable	10,000
Inventory	15,000	Accrued expenses	5,000
Prepaid expense	4,000	Deferred income	2,000
Investments	10,000	Total current liabilities	47,000
Total current assets	149,000	Long-term debt	200,000
Property and equipment		Total liabilities	247,000
Land	24,300	Shareholders' Equity	
Buildings and improvements	250,000	Common stock	10,000
Equipment	50,000	Additional paid-in capital	20,000
Less accumulated depreciation	(5,000)	Retained earnings	197,100
Other assets		Treasury stock	(2,000)
Intangible assets	4,000	Total liabilities and shareholders' equity	\$ 472,100
Less accumulated amortization	(200)		
Total assets	\$ 472,100		

Balance sheet sample

Balance Sheet Structure

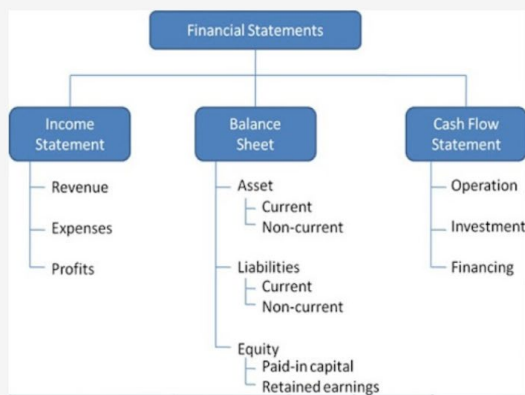
As such, the balance sheet is divided into two sides (or sections). The left side of the balance sheet outlines all of a company's assets. On the right side, the balance sheet outlines the company's liabilities and shareholder's equity.

The assets and liabilities are separated into two categories: current asset/liabilities and non-current (long-term) assets/liabilities. More liquid accounts, such as Inventory, Cash, and Trades Payables, are placed in the current section before illiquid accounts (or non-current) such as Plant, Property, and Equipment, and Long-Term Debt.

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source: brainstudy.info

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Appendix J

Module 1 - C

HOME

C) Filing Taxes And Returns

Introduction To Business Taxes



Small Business Tax Checklist

Small business tax prep checklist

- Track down *all* of your income and expenses**
 Use accounting software with expense tracking year-round to make this process as easy as possible.
- Be aware of the Tax Cuts and Jobs Act**
 The TCJA is the biggest tax overhaul in a generation, affecting everything from expenses to depreciation.
- Take advantage of every deduction possible**
 You can, and should be, deducting every expense related to running your business, from a home office to vehicle mileage.
- Look into contributing to a retirement plan**
 A SEP IRA is the easiest way to protect money from your taxable profits on a dollar-for-dollar basis while also saving for retirement.
- Keep an eye out for tax credits**
 While deductions reduce your taxable income, credits reduce the amount that you actually owe.

Source: <https://blog.capterra.com/how-to-file-taxes-for-a-small-business/>

Common Mistakes When Filing Taxes



Source: <https://taxwalls.blogspot.com/2019/07/filing-taxes-as-small-business-owner.html>

Practice

Mark is working on calculating his business taxes for the past period, he is struggling to get the exact amount. What do you think is the problem



[See the answer](#)

[Reuse](#) [Embed](#)

H-P

Apply

Reflect on your business accounting practices, explain how do you file your business's taxes and is there a way to minimize tax deductions?

✓ Check

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Appendix K

Module 1- Assessment

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Module 1: Test Your Learning

Which of the following bookkeeping methods is better for your business?

☐ Single entry

☐ Double- entry

☒ Check [➤](#)

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Balance Sheet statement helps compares assets and liabilities

☐ True ☐ False

☒ Check [➤](#)

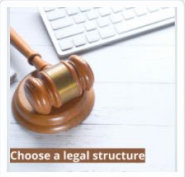
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Drag to arrange the images in the best sequence of events



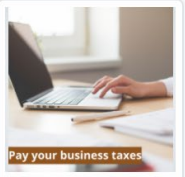
Write off startup costs

A hand holding a ligh...




Choose a legal structure

Court hammer and a ...



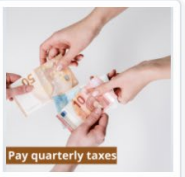
Pay your business taxes

computer over a des...



Use tax deduction

documents, calculato...



Pay quarterly taxes

hands of two people ...

Time spent
0:00

Total Moves
0

☒ Check ☒ ShowSolution

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– Module Completed –

Module 2

Appendix L

Module 2- A

[HOME](#)

Module 2: Business Financial Performance Analysis

Learning Objective

At the end of this module you will be able to smoothly analyze and interpret your business's financial data using the basic three financial statements used in small businesses.

Content

- Profit and loss management
 - Costing and Pricing
 - Cash flow management
-

A) Profit And Loss Management

Profit and loss (P&L) management is **the process of determining how to cut costs and increase revenue**. You can start that process by looking at your business's profit and loss statement (income statement). As your P&L statement breaks down your business's costs and income, it offers key insights into growing your revenue and increasing your business's chance of success.

Profits are money that your business earns after deducting all the expenses, Loss is the money your business pay without any return

How To Use The P&L Statement To Manage Your Business's Profit And Loss?

Developing a proper P&L statement is part of managing your business's profit and loss. After you created a detailed statement, follow below steps to sort out how profitable your company is versus how profitable it could be:

1. Review the P&L statement in details. Does the numbers make sense to you? Are there warning signs? Can you justify the losses if any?
2. Compare your current P&L statement with past statements. Has anything changed drastically? If so, can you identify how or why?
3. Meet with an accountant or financial analyst to get help identifying areas of improvement.
4. Continue to keep detailed records of your business's profits and losses so you can develop accurate P&L statements every month or quarter.

How To Improve Your Business's P&L?

Improving your company's profits and reducing losses requires you to analyze the P&L statements. Once you've done that, you should compare statements from different time periods to understand sales trends, analyze costs, and determine if you can cut out certain expenses while increasing sources of revenue. You should always meet with an experienced accountant to discuss structural changes that will increase your business's profitability.

Reading A P&L Statement (Income Statement)

[How to Read an Income Statement](#)

[Copy link](#)

How to Read an Income Statement

Income Statement Overview

Sample Income Statement
For Q4 of 2018

Operating expenses	
Sales	\$1,050,000
Cost of goods sold	505,000
Gross margin	545,000
Operating General & Administration expenses	
Advertising expense	12,500
Commissions expense	15,500
Depreciation	28,000
Amortization	13,250
Total operating expenses	127,750
Operating income	54,000
Non-operating/other	
Unused space rental income	13,000
Interest expenses	(11,700)
Loss from lawsuit	(15,000)
Total non-operating	(1,600)
Earnings Before Taxes	489,400
Taxes	(55,000)
Earnings After Taxes	434,400
Shares	100,000
Earnings Per Share	\$4.34

[Watch on YouTube](#)

Practice

Review the P&L statement below and explain what does it tell you about the business.



[Company Name]		© Corporate Finance Institute				
Profit and Loss (P&L) Statement						
[USD \$ millions]						
	2014	2015	2016	2017	2018	
Revenue stream 1	7,692.6	7,814.6	7,938.7	8,064.6	8,192.6	
Revenue stream 2	1,907.8	1,938.0	1,968.8	2,000.0	2,031.8	
Returns, Refunds, Discounts	(275.3)	(279.7)	(284.1)	(288.6)	(293.2)	
Total Net Revenue	9,325.0	9,473.0	9,623.3	9,776.0	9,931.2	
Cost of Goods Sold	3,533.2	3,589.3	3,646.3	3,704.1	3,762.9	
Gross Profit	5,791.8	5,883.7	5,977.0	6,071.9	6,168.3	
Expenses						
Advertising & Promotion	250.6	255.6	260.7	265.9	271.1	
Depreciation & Amortization	1,456.8	1,485.8	1,515.3	1,545.4	1,576.1	
Insurance	14.7	15.0	15.3	15.6	15.9	
Maintenance	76.4	77.9	79.5	81.0	82.6	
Office Supplies	37.5	38.3	39.0	39.8	40.6	
Rent	77.7	79.3	80.9	82.5	84.1	
Salaries, Benefits & Wages	3,366.7	3,433.6	3,501.8	3,571.4	3,642.3	
Telecommunication	20.1	20.5	20.9	21.3	21.7	
Travel	30.8	31.4	32.1	32.7	33.3	
Utilities	18.8	19.1	19.5	19.9	20.3	
Other Expense 1	50.9	51.9	53.0	54.0	55.1	
Other Expense 2	-	-	-	-	-	
Total Expenses	5,401.1	5,508.4	5,617.9	5,729.5	5,843.4	
Earnings Before Interest & Taxes	390.6	375.2	359.1	342.4	324.9	
Interest Expense	30.0	2.5	2.5	2.5	2.5	
Earnings Before Taxes	360.6	372.7	356.6	339.9	322.4	
Income Taxes	108.2	111.8	107.0	102.0	96.7	
Net Earnings	252.4	260.9	249.7	237.9	225.7	

[Hints](#)

Apply

Take the time to compare your business's financial statements for the last three years. Keep your eyes on trends, percentages, and general performance. Share what you have found and what can you do to improve it.

 Check

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Appendix M

Module 2- B

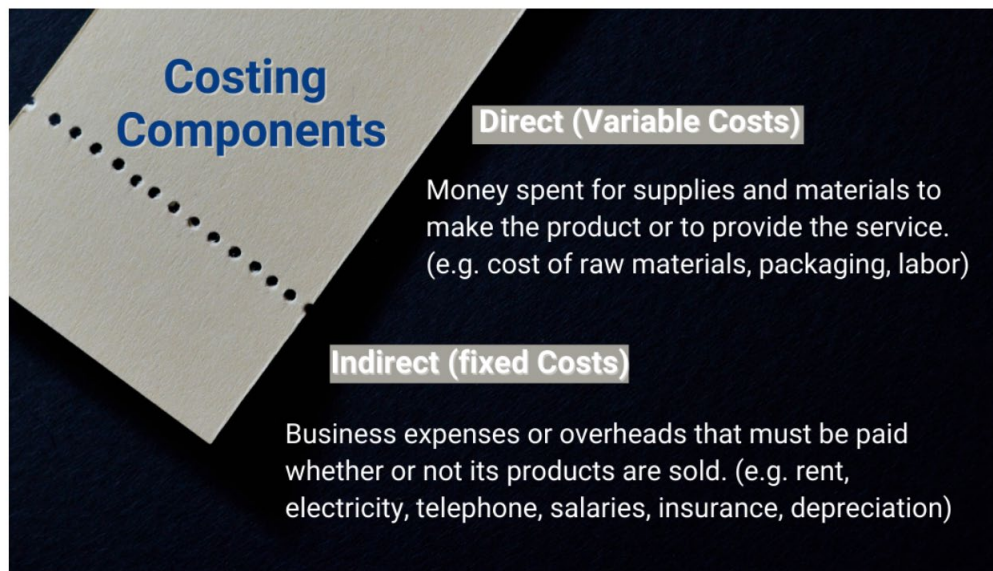
[HOME](#)

B) Costing And Pricing

Costing

Costing is the way to calculate or work out how much each individual product (goods or service) costs to produce or sell. The importance of costing is that it allows the business owner to set a fair and competitive price for their products.

Costing Components



Watch this video to learn more about calculating products or services cost

Fixed/Variable/Total Costs and the Marginal Cost of Production Defined & Explained in One ... [Copy link](#)

TOTAL Costs

Total Fixed Costs + Total Variable Costs

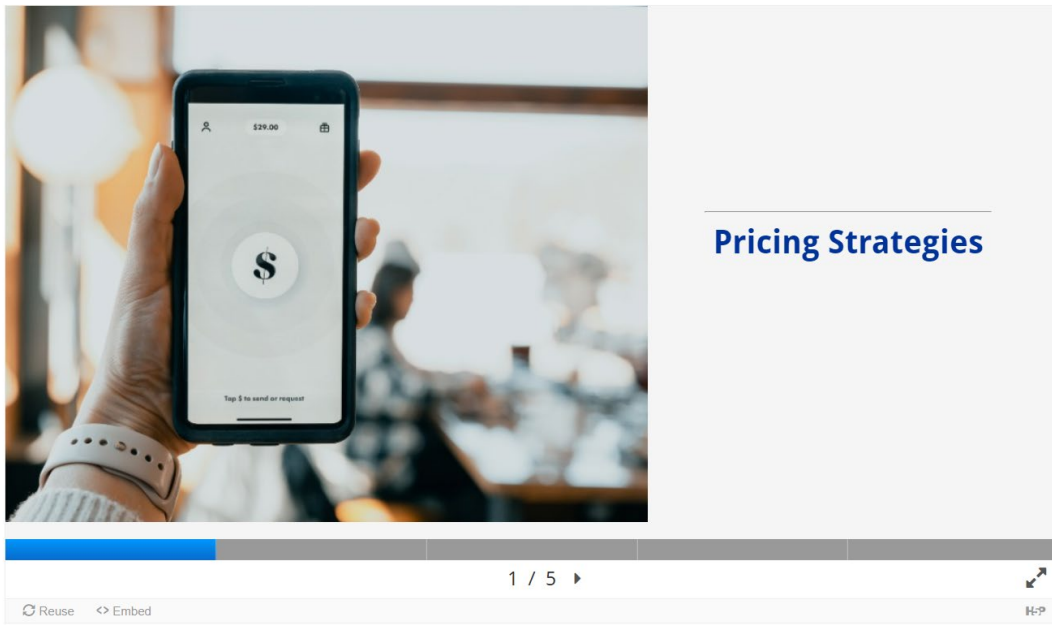
Watch on YouTube

OneMinuteEconomics.com



Pricing

Pricing is deciding what to charge for your products or services. The amount decided on must be high enough to cover all costs of production, enable the business to earn reasonable returns, and low enough to encourage customers to keep on buying your products or using your service and to tell others about it.

Pricing Strategies



Costing Vs. Pricing

	Cost Vs. Price	
<ul style="list-style-type: none"> ● Expense incurred to develop the product or service ● Cost is incurred ● Cost influence product's price 		<ul style="list-style-type: none"> ● Amount the customer has to pay ● Price is paid ● The price directly depends on the cost

Pricing For Profit


Costs, price and value






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
Watch on  YouTube

Practice

Based on the annual product cost per unit and using the cost plus profit strategy, with a 25% profit margin. What is the average price you would set for this product?

	A	B	C	D	E	F	G
1	Product Cost Budget						
2							
3		Particulars	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual
4	A	Direct Material Cost	206640	211760	224800	228800	872000
5	B	Direct Labor Cost	202400	210400	224000	232000	868800
6	C	Factory Overhead Cost	103480	115600	130200	144200	493480
7	D	Total Product Cost (A + B + C)	512520	537760	579000	605000	2234280
8	F	No. of Units Produced	5060	5260	5600	5800	21720
9	G	Product Cost Per Unit (D/F)	101	102	103	104	103
10							

 The answer



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Apply

Choose a product or service you offer in your business, review its cost and how much you are selling it, define the breakeven price, determine if you set the proper price, and experiment with different pricing strategies. Share your findings below.

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Appendix N

Pricing strategies Presentation




Pricing Strategies

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Factors Affecting Pricing

- How the competition prices the goods and services you plan to provide.
- Expectations about sales and expenses.
- How much money the owner wants or needs to make.
- Market tolerance.
- Suppliers pricing terms and inventory costs.



◀ 2 / 5 ▶

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Set Your Prices Based on...

- Your product's or service's costs.
- The prices your competitors are selling at.
- What customers are willing to pay.
- How the prices of new goods or services compare with that of existing ones.



◀ 3 / 5 ▶

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Pricing Strategies

- **Cost-plus pricing:** determining price by adding a percentage for profit to the total price of the product.
- **Pricing to the market:** setting a price for your product based on the price charged by your competitors.
- **Discount pricing:** the use of promotions, sales, etc. often to introduce a new product or service.
- **Penetration pricing:** reducing the price of your product to attract and or keep customers.
- **Prestige pricing:** charging more than your competitors to sell a product of high quality and to maintain a certain image or status.
- **Demand-oriented pricing:** setting a price for good or service based on an estimate of what customers are willing to pay.

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Breakeven Price

The amount of money for which a product or service must be sold at to cover the costs of manufacturing or providing it.

$$\text{Breakeven price} = (\text{Total fixed cost} / \text{Production unit volume}) + \text{Variable Cost per unit}$$

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Appendix O

Module 2- C

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C) Cash Flow Management

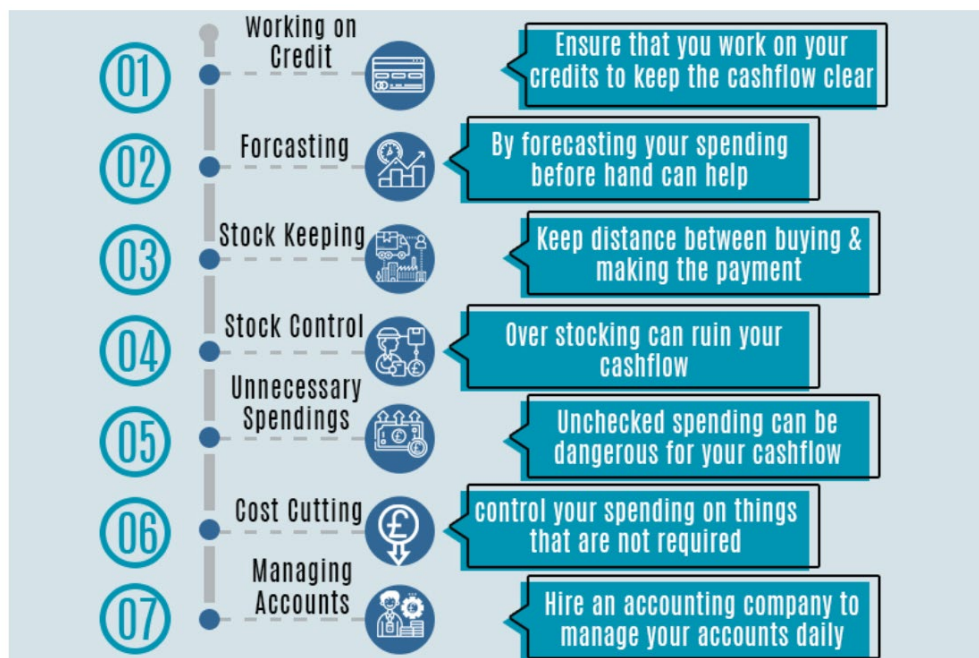
What Is Cash Flow Management?

Cash flow management is the **process of tracking how much money is coming into and out of your business**. This helps you predict how much money will be available to your business in the future and identify how much money your business own to others (e.g.: employees salaries, suppliers, etc.) .Cash flow management works as the bridge that guides you to profitability.

If your business constantly spends more than it earns, you have a cash flow problem

Improve Your Business Cash Flow

Below are some tips to better manage the cash in your business



Source: <https://www.doshioutsourcing.com/post/7-important-steps-to-consider-for-cash-flow-management>

General Tips



- For small businesses, the most important aspect of cash flow management is avoiding extended cash shortages caused by an overly large gap between cash inflows and outflows.
- As a business owner, you need to perform a cash flow analysis on a regular basis and use cash flow forecasting so you can take the steps necessary to head off cash flow issues.
- A useful strategy is to shorten the cash flow conversion period so that your business can bring in money faster.
- If your business is expanding, you may need one or more injections of cash during the growth phase. This can take the form of a business loan from a financial institution known as debt financing or equity financing from investors.
- Produce your business cash flow statement on monthly basis.

Practice

Review the below cashflow statement, and what does it tell you about the cash in the business. Do you think this business can fund its expansion?

	2009	2010	2011	2012	2013
Cash Inflow					
Beginning cash	-	11,767	143,765	416,274	924,480
Sales Income	1,366,986	2,662,548	3,416,123	4,565,616	5,981,959
Sale of Assets	-	-	-	-	-
Loans	-	-	-	-	-
Capital	400,000	-	-	-	-
Total cash in	1,766,986	2,650,781	3,559,888	4,581,890	6,906,439
Cash Outflow					
Salaries	1,355,000	1,676,000	2,044,000	2,557,000	3,355,000
Other operating expenses	423,753	759,933	900,245	1,187,340	1,533,412
Loan payments	-	24,910	99,640	99,640	99,640
Capital Expenditures	-	-	-	-	-
Tax Payments	-	46,173	99,729	213,430	277,791
Total Cash Out	1,778,753	2,507,016	3,143,614	4,057,410	5,265,843
Net Cash Flow	-11,767	143,765	416,274	924,480	1,640,596

Hint

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H-P

Apply

Now let's apply this information to your business! Take your business's last year's cash flow statement make sure it details every month, than explain what does it tell you, why did you have problems with the cash flow if any, justify the trends in the cash flow, and than decide what can you do better for the next year

✓ Check

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HS-P

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Appendix P

Module 2- Assessment

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Module 2: Test Your Learning

A profit and loss statement helps you in

- ☐ Knowing how much your business is spending
- ☐ Keeping track of assets your business own
- ☐ Determining if your business is making good earnings

✓ Check



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H-P

You were attending a seminar, and you met a group of people. Among those people you met Natalie who started her jewelry making business two years ago. Natalie knew you have your own business and been in the market for six years, so she came and asked you for an advice on the following:

"I have been running my business for two years now and I have a growing customer base, the average number of transactions I have per month is 50 and my prices are considered on the higher side because I am providing custome unique designs. However, every month I barely have enough cash to run the business. What do you think I can do to improve it?"

What advice you are going to give Natalie?



👁 Hint

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– Module Completed –

Module 3

Appendix Q

Module 3- A

[HOME](#)

Module 3: Planning Your Business Financials

Learning Objective

At the end of this module you will be able to strategically set a budget and sales target for your business.

Content

- Budgeting for your business.
 - Setting sales targets.
-

A) Budgeting

What Is A Budget?

A business budget is an overview of your business' finances. It outlines key information on both the current state of your finances (including income and expenses) and your long-term financial goals. It is a detailed plan that outlines where you'll spend your money monthly or annually and where it will come from.

Why Budgeting Is Important For Your Business?

A budget will help you:

- Forecast what money you expect to earn.
- Plan where to spend that revenue.
- See the difference between your plan and reality.

What Makes A Good Budget?

The best budgets are simple and flexible. If circumstances change (as they do), your budget can flex to give you a clear picture of where you stand at all times.

Budget Components



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Yearly Budget Sample With A Budget Calculator

Moose Head Division, Amalgamated Hat Rack

	2014 BUDGET	BUDGETED	ACTUAL	VARIANCE
SALES BY MODEL	Moose Antler Deluxe	\$237,000	\$208,560	\$(28,440)
	Moose Antler Standard	320,225	329,832	9,607
	Standard Upright	437,525	476,902	39,377
	Electro-Revolving	125,000	81,250	(43,750)
	Hall/Wall	80,000	70,400	(9,600)
	<i>Total sales</i>	\$1,199,750	\$1,166,944	\$(32,806)
COST OF GOODS SOLD	Direct labor	\$75,925	\$82,000	\$(6,075)
	Factory overhead	5,694	6,150	(456)
	Direct materials	195,000	191,100	3,900
	<i>Total cost of goods sold</i>	\$276,619	\$279,250	\$(2,631)
SALES, GENERAL, & ADMINISTRATIVE COSTS	Sales salaries	\$300,000	\$310,000	\$(10,000)
	Advertising expenses	135,000	140,000	(5,000)
	Miscellaneous selling expenses	3,400	2,500	900
	Office expenses	88,000	90,000	(2,000)
	<i>Total SG&A</i>	\$526,400	\$542,500	\$(16,100)
	Operating income	\$396,731	\$345,194	\$(51,537)

SOURCE FINANCE BASICS (20-MINUTE MANAGER SERIES)

HBR.ORG

How To Create A Budget?

Budgeting Tips To Follow



Practice

Review the below budget and explain what does it say about the business performance

SUMMARY	ACTUAL	BUDGETED	OVER BUDGET	UNDER BUDGET
Total income	1,432,500.00	1,318,080.00	114,420.00	
Total expenses	339,760.00	314,910.00	24,850.00	
Income less expenses:	1,092,740.00	1,003,170.00	89,570.00	
INCOME DETAILS	ACTUAL	BUDGETED	OVER BUDGET	UNDER BUDGET
Sales	1,400,000.00	1,200,000.00	200,000.00	
Interest earned	5,000.00	4,500.00	500.00	
Fees	1,000.00	980.00	20.00	
Commissions	10,000.00	98,000.00		-88,000.00
Rent	9,000.00	8,000.00	1,000.00	
Royalties	2,500.00	2,600.00		-100.00
Other	5,000.00	4,000.00	1,000.00	
Total income:	1,432,500.00	1,318,080.00	114,420.00	
EXPENSE DETAILS	ACTUAL	BUDGETED	OVER BUDGET	UNDER BUDGET
SELLING				
Salaries and wages	246,000.00	248,000.00		-2,000.00
Commissions	10,000.00	12,000.00		-2,000.00
Advertising	6,000.00	8,000.00		-2,000.00
Delivery	0.00	0.00		
Shipping	0.00	0.00		
Travel	4,600.00	5,600.00		-1,000.00
Other	1,000.00	1,200.00		-200.00
Total sales expenses:	267,600.00	274,800.00		-7,200.00
Percent of total:	78.76%	87.26%		
ADMINISTRATIVE				
Salaries and wages	12,000.00	10,000.00	2,000.00	
Employee benefits	5,000.00	6,000.00		-1,000.00

Hint

Apply

Have you built a budget for your business before? This is the chance to do it. Take the time to build a quarterly budget for the three coming months of this year. Make sure to include all the components introduced in this module. Share with us the insights you got from this budget.

✔ Check

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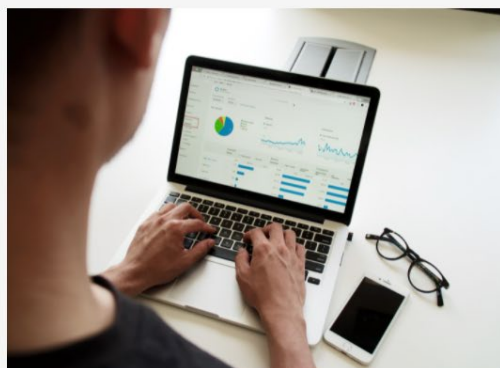
Appendix R

Budget Components



Budget Components

1. Estimated revenue
2. Fixed costs
3. Variable costs
4. One-off costs
5. Expected Cash flow
6. Estimated Profit
7. A budget calculator



1. Your estimated revenue

The amount you expect to make from the sale of goods or services your business provide. It's all of the cash you bring in regardless of what you spent to get there. This is usually the first line on your budget, and it can be based on last year's numbers or on industry averages.

2. Your fixed costs

These include are all your regular, consistent costs that don't change according to how much you make, e.g. rent, insurance, utilities, bank fees, accounting and legal services, and equipment leasing.

◀ 3 / 6 ▶

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3. Your variable costs

These are costs that changes according to production or sales volume and are closely related to cost of goods sold, e.g. raw materials, inventory, production costs, packaging, or shipping. Other variable costs can include sales commission, credit card fees, and travel. A clear budget plan outlines what you expect to spend on all these costs.

The cost of salaries can fall under both fixed and variable costs. For example, your core in-house team is usually associated with fixed costs, while production or manufacturing teams, anything related to the production of goods—are treated as variable costs. Make sure you file your different salary costs in the correct area of your budget.

4. Your one-off costs

These costs are startup costs like moving offices, equipment, furniture, and software, as well as other costs related to launch and research.

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5. Cash flow

Cash flow is all money traveling into and out of a business. You have positive cash flow if there is more money coming into your business over a set period of time than going out. This is easily calculated by subtracting the amount of money available at the beginning of a set period of time and at the end. Since cash flow is crucial for smooth operation, make sure you monitor this weekly, or at least monthly. Your business could be doing great with sales but still not have enough money on hand to pay your suppliers.

6. Estimated Profit

Profit is what you take home after deducting your expenses from your revenue. Growing profits mean a growing business. Here you'll plan out how much profit you plan to make based on your projected revenue, expenses, and cost of goods sold. If the difference between revenue and expenses also known as "profit margins" aren't where you'd like them to be, you need to rethink your cost of goods sold and consider raising prices. If you believe that you can't squeeze any more profit margin out of your business, consider boosting the advertising and promotions value in your budget to increase total sales.

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7. A budget calculator

A budget calculator can help you see exactly where you stand when it comes to your business budget planning, getting all the numbers in your budget in one easy-to-read summary is really helpful.

Tip: In your spreadsheet, create a summary page with a row for each of the budget categories. This is the framework of your basic budget. Then, next to each category, list the total amount you've budgeted. Finally, create another column to the right for when the time period ends, use it to record the actual amounts spent in each category. This gives you a clear picture of your budget that can be immediately reached out.

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Appendix S

Module 3- B

HOME

B) Setting Sales Targets

What Is A Sales Target?

A sales target is a goal consisting of the number of sales and resulting revenue a business owner/manager decides the team should hit or exceed in a specific amount of time. In other words, how much money do you want your sales to generate every month or quarter or year.

It's important to have defined sales targets to ensure you're meeting the business's revenue goals including staying in business. It also provides direction to your sales employees by knowing how close or far they are to meeting the sales goal instead of working with no direction.

How To Define Your Sales Target?

Step 1: Calculate Your Average Close Rate

Calculating your current close rate for leads is a crucial starting point to figuring out your sales target. You can do so by:

- Taking the number of leads you had every month for the last 12 months (or less, if you don't have that much data available).
- Then, pinpoint how many of those leads were converted into paying customers.

For example, if your team reached out to 500 leads and made ten sales from those emails, then your close rate is 2% ($10 / 500 = 2\%$).



Step 2: Forecast What Your Team Needs To Hit

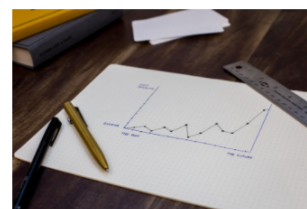
The number your team needs to hit must be defined by you as the business owner/manager. It's the minimum amount of money sales employees need to generate to meet the budget.

For example, if you need 15 sales a month instead of 10, then your sales team needs to reach out to 750 leads a month instead of 500 to meet the sales target ($15 / 2\% = 750$).

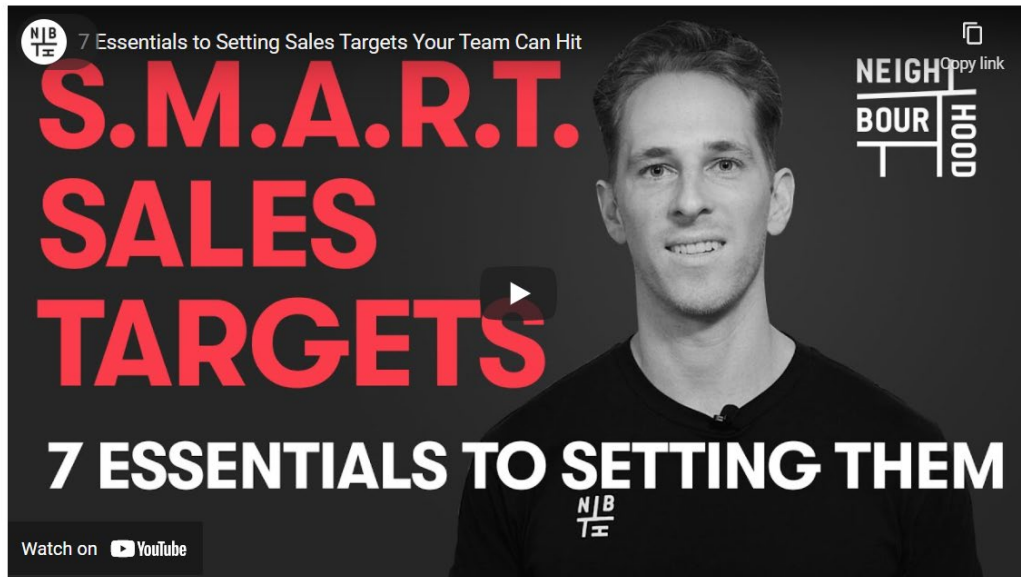


Step 3: Then Add Some

Don't settle for the minimum, once you set the minimum sales target add to it to challenge yourself and your employees. By adding a little bit extra to the amount of sales you need, not only will you be adding some wiggle room to your sales target but you will bring in more revenue to your business. Encouraging you to focus on growing your business and not remaining stagnant.



Setting a good sales target is about finding that perfect balance between what you need to hit and what you'd like to hit. Think: ambitious but realistic



Remember

- Setting good, realistic sales targets is about data and math, not wishful thinking.
- Defining your sales target isn't where it stops, you have to make a plan to achieve it.
- Once your plan is in motion, you've got to check in regularly and make sure you're on track to hit that target, if not identify what needs to be changed.
- Over time, you may have to adjust your sales targets.
- Always share the results with your employees so you can all enjoy the success of setting and achieving smart sales targets together.

Practice

Your friend who owns a barber shop was asking you how do you set your sales target as he is planning to use the services of a marketing agency, but not sure what targets he needs to set for them. What would you advise him on how to set sales targets.

✓ Check

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H-P

Apply

Keeping in mind what you have learned in this module. Go back to your business financial data and set you sales target for the next quarter. What did you different this time?

✓ Check

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Appendix T

Module 3- Assessment

HOME

Module 3: Test Your Learning

Budgeting is important to your business because it

- ☐ Sees the difference between your plan and reality
- ☐ Plans where to spend that revenue
- ☐ Forecasts what money you expect to earn

☒ Check



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H-P

What does this budget tell you about the business


	January			February			March		
Income	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Services – Window Cleaning	\$30,000	\$34,000	\$4,000	\$35,000	\$38,000	\$3,000	\$41,000	\$40,000	-\$1,000
Services – Gutter Cleaning	\$45,000	\$41,000	-\$4,000	\$50,000	\$45,000	-\$5,000	\$50,000	\$52,000	\$2,000
Services – Landscaping	\$28,000	\$30,000	\$2,000	\$20,000	\$21,000	\$1,000	\$28,000	\$30,000	\$2,000
Total Income	\$103,000	\$105,000	\$2,000	\$105,000	\$104,000	-\$1,000	\$119,000	\$122,000	\$3,000
Expenses	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Rent	\$3,100	\$3,100	\$0	\$3,100	\$3,100	\$0	\$3,100	\$3,100	\$0
Insurance	\$350	\$350	\$0	\$350	\$350	\$0	\$350	\$350	\$0
Electricity	\$450	\$420	-\$30	\$450	\$490	\$40	\$450	\$450	\$0
Phone	\$400	\$400	\$0	\$400	\$400	\$0	\$400	\$400	\$0
Internet	\$120	\$120	\$0	\$120	\$120	\$0	\$120	\$120	\$0
Salaries, Wages & Benefits	\$55,000	\$55,000	\$0	\$60,000	\$59,000	-\$1,000	\$68,000	\$67,000	-\$1,000
Accounting Services	\$650	\$650	\$0	\$650	\$650	\$650	\$650	\$650	\$0
Advertising	\$2,500	\$3,000	\$500	\$3,000	\$3,040	\$40	\$3,000	\$3,050	\$50
Bank Fees	\$45	\$45	\$0	\$45	\$45	\$0	\$45	\$45	\$0
Truck Lease	\$1,300	\$1,300	\$0	\$1,300	\$1,300	\$0	\$1,300	\$1,300	\$0
Software Subscription	\$450	\$450	\$0	\$450	\$450	\$0	\$450	\$450	\$0
Office Supplies	\$380	\$300	-\$80	\$450	\$420	-\$30	\$450	\$400	-\$50
Maintenance & Repairs	\$5,100	\$5,500	\$400	\$3,400	\$2,800	-\$600	\$3,000	\$3,200	\$200
Total Expenses	\$69,845	\$70,635	\$790	\$73,715	\$72,165	-\$900	\$81,315	\$80,515	-\$800
Net Income	\$33,155	\$34,365	\$1,210	\$31,285	\$31,835	\$550	\$37,685	\$41,485	\$3,800

Hint

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H-P

Sales targets must be SMART. What does that mean?



The graphic displays the acronym SMART using five colored circles with white letters: S (teal), M (blue), A (light green), R (orange), and T (red).

[Answer](#)

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– Module Completed –

Module 4